Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel IS3.50	S.Arabia Rls7.00
Canada ..... C$1.00	Italy L1700	Singapore ..... S$4.10
Cyprus ..... C£0.90	Japan Y600	Spain Pta145
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt ..... E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon $1.125.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan ..... NT$65
Germany DM2.30	Malaysia Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong ..... HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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SHANGHAI
Stockmarket set to expand
Page 24

World News

Argentina backs down on wage demands

The Argentine Government was forced to concede big pay rises, breaching its official pay guidelines, in face of prolonged strikes by thousands of public sector workers. Page 8

Greek denial
Greece denied it was trying to provoke a row with Turkey over four Greeks detained in Ankara after protesting at the trial of 700 alleged leftists. Page 2

Sri Lankan advice
Sri Lanka advised foreign tour operators to evacuate holiday-makers from southern resorts because of deteriorating law and order. Page 6

Philippines typhoon
About 49 people were feared dead and more than 100,000 fled their homes when a typhoon hit the Philippines.

SA breakthrough
A non-white couple has been granted official permission to live in a "white" area of South Africa's Transvaal province for the first time in at least 40 years, a lawyers' group said.

Railway arrests
Two railway officials were arrested after an express train ploughed into a railway maintenance vehicle in eastern France, killing nine workmen. National Railways SNCF blamed Monday's crash on a mistaken points switch.

Sudan evacuation
Sudanese army is to evacuate 100,000 people from the famine-stricken town of Torit in the rebel-hit south, according to a military commander.

Soviet pledge
Soviet Union would release its remaining political prisoners before a proposed human rights conference takes place in Moscow in 1991, Soviet spokesman Gennady Gerasimov said. Page 3

Flight delays
European flight delays, blamed on airport congestion and air traffic control problems, will rise despite the end of the peak tourist season, the Association of European Airlines said.

Palestinian battle
Hundreds of stone-throwing Arab youths battled police in one of the biggest protests in an Israeli town since a Palestinian uprising erupted in occupied territories 11 months ago. PLO meeting, Page 6

Earthquake toll
The death toll from Sunday's earthquake in south-west China rose to more than 900.

Shuttle attempt
The Soviet Union will make a second attempt at launching its space shuttle on its unmanned maiden flight within the next few days.

Heart technique
A nine-month-old girl has been kept alive for a week without a functioning heart by a new technique which pumped blood while her heart rested, an Italian surgeon said.

Degree for Dubcek
Former Czech leader Alexander Dubcek is to make his first foreign trip for 18 years, to receive an honorary degree at Bologna university, Italy, on Sunday. Prague economic reform, Page 3

Business Summary

Edelman to quit NY for new base in Europe

ASHER EDELMAN, celebrated New York arbitrageur, is to move to Lausanne, Switzerland, where he plans to set up a museum of contemporary art and his business targeting companies with "undiscovered assets and good cash flow strength." Page 25

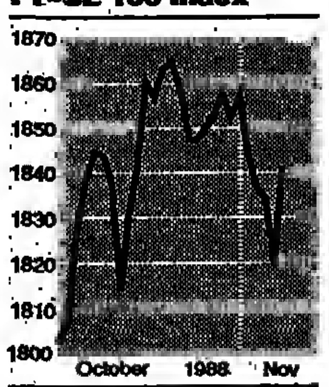
SHANGHAI'S fledgling stock market is expected to increase the number of companies able to issue tradeable shares during the coming year from the present total of only 11 to more than 50. Page 24

BERTELSMANN, West German-based international media group which owns the US publisher Doubleday, saw net profits rise by 72 per cent to DM357m ($200m) in the year to June 30. Page 25

BTR NYLEX, fast-expanding Australian unit of UK's BTR, announced a major capital raising of A$540m (US$450m) only four months after a A$756m rights issue. Page 25

MARKETS: Growing confidence that George Bush would win the a US presidential election reversed a four-session

FT-SE 100 Index



decline in London's equity market. The FT-SE 100-share closed a fraction off its best levels at 1,840.6. Page 45

BRITANNIA ARROW Holdings strengthened its role in investment management with a $133m (£75.1m) acquisition of the outstanding 55 per cent of Invesco, a US pension fund manager. Page 25

SUMITOMO Heavy Industries has broken even for the first time in two years, after scaling down its lossmaking shipbuilding division, and expects Y2bn in pre-tax profits for its current full year. Page 27

SARTOMER, US monomer and specialised polymer producer owned by Pony Industries, is to be taken over by two French chemicals companies, Atochem and Orkem. Page 26

AXEL SPRING VERLAG, West Germany's biggest newspaper group, again faces an uncertain future after a decision by a district court in Offenburg regarding pre-emptive ownership rights to a vital packet of shares. Page 28

JAPAN AIR LINES, international flag carrier in which the state sold its remaining stake a year ago, showed pre-tax profits 23.1 per cent higher at Y38.6bn ($309.7m). Page 27

BANK LEUMI le-Israel, one of Israel's leading banks, saw Moshe Sanbar, former governor of the Bank of Israel, appointed as its chairman by a new board of directors. Page 27

RJR NABISCO, the tobacco and foods business, announced rules to be followed by all bidders for the company and said it welcomed the involvement of the three groups of investors that have expressed an interest. Page 26

RHONE-POULENC, big French chemicals company, is to open a research laboratory near Tokyo by the end of next year in the hope of getting closer to customers in Japanese industries. Page 28

Bush and Dukakis cast their election votes and wait

Vice President George Bush: still favoured

MR GEORGE BUSH, US Vice President and Governor Michael Dukakis of Massachusetts, the two US presidential candidates, brought their gruelling election campaigns to a close yesterday, casting their own ballots in their home towns of Houston and Boston, writes our US staff.

Gov Dukakis was scrambling for votes until the last moment. He addressed a rally in Des Moines, Iowa, early yesterday morning, and then flew on for another rally in Detroit before landing in Boston just after 9am. Since Sunday morning, Mr Dukakis has covered well over 9,000 miles.

As crisp and self-contained as ever, Mr Dukakis and his wife, Kitty, cast their votes yesterday in Brookline, the passionately liberal academic suburb where the Democratic candidate grew up. He told a rally at Boston's Logan airport that he expected to win.

But even friends and supporters said it would take a miracle for him to reach the White House, despite late polls that showed Mr Dukakis gaining on his Republican rival.

After voting, Mr and Mrs Dukakis shut themselves up in the anonymous red brick villa on Perry Street.

Mr Bush, whose final days on the campaign trail were almost as frantic, returned to Houston in Texas, one of two states he thinks of as home. He is staying at the luxury Houstonian hotel, which he claims as his official residence there.

Asked how he expected the election to go, Mr Bush, said he was "nervous, but hoping it all works out." He and his wife went straight from voting to a local campaign headquarters to help get out the vote.

Privately, sources close to the Bush camp conceded Gov Dukakis's determination to fight right down to the wire had, according to their internal polls, narrowed the gap. Mr Bush was still favoured to win however. His strength in Southern states and the Mountain West give him a flying start towards the 270 electoral college votes he will need for victory. Gov Dukakis was pinning his hopes on carrying virtually the major states outside these regions including California, Illinois, Ohio, Michigan, Pennsylvania and New York.

Both Gov Dukakis and Mr Bush made last minute appeals on television on Monday night. Gov Dukakis went on the defensive, by answering criticisms made by the Bush campaign and the press.

In his television advertisement, Mr Bush continued to hammer away at Gov Dukakis's lack of foreign policy experience.

Michael Dukakis: crisp and self-contained

Walesa threatens to quit after radicals go ahead with strike

By Christopher Bobinski in Gdansk

MR LECH WALESA, leader of Poland's banned Solidarity trade union, yesterday threatened to resign from his post after radical members of the movement went ahead with a strike at a shiprepair yard in Gdansk against his wishes.

Mr Walesa, who admitted that he was in danger of losing control over Solidarity, had angered the young radicals by withdrawing a threat to strike against the Government's decision to close the Lenin shipyard as part of its industrial restructuring programme.

"If the strikes spread, I will be ready to resign," the union leader said. "If they (the radicals) don't obey, it means I am losing importance."

At the same time, Mr Walesa conceded that he was not making much progress in persuading the Government to convene round-table talks with Solidarity which, the union insists, should result in its legalisation.

Mr Walesa said he had decided not to go ahead with a nationwide strike call because the authorities could effectively suppress the protest movement by turning off power at a time of freezing cold weather.

Moreover, Solidarity was not financially prepared for such a major stoppage and the Lenin shipyard closure would, in any case, take place over a period of two years.

"A lot of things can happen in that time," he said. "We could be changing three governments in that time. We shall fight for the shipyard, but we shall do so when we can win."

Mr Walesa's remarks were made after a mass meeting at the Lenin shipyard, which employs some 11,000 workers, and was Solidarity's birthplace eight years ago. Simultaneously, Solidarity militants started to strike at a nearby shiprepair yard employing some 4,500 men, 500 of whom have declared they will occupy it, and another smaller Gdansk yard employing some 900.

The more experienced Solidarity activists at the Lenin yard are supporting Mr Walesa in his attempt to avoid strikes because they feel such action has little chance of success. The main challenge to the leadership comes from the youngest generation of militant workers, who led the two big stoppages in the Lenin yard in May and August, and feel that Mr Walesa's negotiating tactics are leading nowhere.

The erosion of Mr Walesa's authority was strikingly illustrated by the fact that Mr Andrzej Gwiazda, who was once his deputy, but has become one of his main rivals, has joined the strikers in the repair yard. Mr Jacek Merkel, head of Solidarity's Gdansk organising committee, whom Mr Walesa had sent to dissuade the men from striking, was unsuccessful in his mission.

In Warsaw, Mr Jerzy Urban, the Government spokesman, said the shipyard closure was "final and irrevocable", adding that Mr Walesa was setting pre-conditions for the round-table talks, which did not make him optimistic. Mr Urban accused the Solidarity leadership of repeatedly rejecting offers of partnership and reconciliation. He said the authorities might decide to seek an agreement on the country's future with "the opposition of the 1970s," rather than with Solidarity's veteran leaders.

Mr Urban reiterated officials denials that the shipyard closure was politically motivated and said the Government would soon name 100 more enterprises to be scrapped or restructured under its economic reform programme.

Pöhl urges caution on monetary union in EC

By Simon Holberton in Basle

MR Karl Otto Pöhl, President of the Bundesbank, the West German Central Bank, has lent his weight to the view that economic and monetary union in the European Community can only proceed gradually.

A European central bank was a distant objective which could be achieved only after the Community's 12 member states had become full participants in the European Monetary System, he has told the EC committee studying economic and monetary union.

The committee, which is chaired by Mr Jacques Delors, President of the European Commission and was established by the Hanover summit in July, met in Basle yesterday. It is due to present its report on monetary and economic union to the EC Council of Ministers when they meet in Madrid next June. The committee consists of the Community's 12 central bank governors, two representatives of the Commission and three independent participants.

In a paper for the third session of the committee yesterday, Mr Pöhl is believed to have said that two of the important objectives towards economic unity were in train: a barrier-free market for goods and services, and capital liberalisation.

Continued on Page 24

Lonrho, Bond appoint fresh finance advisers

By Ray Bashford and David Waller in London

A TAKEOVER battle for control of Lonrho, the British-based multinational headed by Mr Tiny Rowland, and Bond Corporation, the vehicle for Mr Alan Bond, the Australian entrepreneur, appeared closer yesterday after both sides appointed new financial advisers.

Bond Corporation, which holds at least 20.5 per cent of Lonrho, said it had appointed Samuel Montagu, a London merchant bank which has acted in other Antipodean takeover attempts and which has a reputation for assembling leveraged financing packages.

The Australian company also confirmed that it had sold ITC, the Los Angeles-based film and television production company, to a management team. The deal is understood to have raised £65m ($110.5m).

Bond also acknowledged its intention to dispose of a 14.9 per cent stake in TV-am, a breakfast-time television channel, which is likely to raise between £15m and £20m.

The sales, coupled with the disposal last week of Bond's holdings in Standard Chartered, the banking group, and M&G, the fund management group, are expected to raise up to £284m.

Lonrho announced the appointment of Charterhouse Bank, part of the Royal Bank of Scotland group, to act as its financial adviser in tandem with Standard Chartered, its traditional merchant bank.

Phillips & Drew Securities, the London stockbroker which is a subsidiary of the Union Bank of Switzerland, was appointed as Lonrho's joint broker with McCaughan Dyson Capel Cure.

Bond Corporation said it had appointed Samuel Montagu, the investment banking arm of the Midland Bank, because of its previous experience in leveraged takeovers and the reputation of senior members of the staff.

Mr Terry Robinson, a Lonrho director, said Samuel Montagu "is very good at raising money for people who haven't got any equity."

Samuel Montagu said last night that it expected to be appointed by Bond but had received no formal confirmation.

Mr Paul Doy, a director of Charterhouse's corporate finance department, was a director of Lonrho from 1979 to 1983, and will be part of the team handling the account.

On the London stock-market yesterday, Lonrho's shares fell 6p to 416p, capitalising the company at £1.87bn.

Brussels to renew efforts for strategy on Japanese cars

By William Dawkins in Brussels

A DIVIDED European Commission will today make a fresh attempt to set a strategy for Japanese car imports, only days before Mr Karl-Heinz Narjes, the Industry Commissioner, is due to discuss the issue with ministers and industrialists in Tokyo.

The weekly meeting of the 17-man Brussels executive will try to reach agreement on a paper, prepared only yesterday morning, which proposes asking Japan to stabilise car exports to the EC at present levels until the end of 1992. During that time, the existing bilateral restraints on Japanese car imports that exist in France, Italy, Britain and Spain would be dismantled, said Commission officials.

These national restraints would be replaced by a Community-wide moderation accord, possibly in the form of an EC quota, to last for a short transitional period, the paper is believed to suggest. The paper is understood to propose the possible ending of any kind of export controls once EC car sales in Japan reach half the level of Japanese sales in the Community. Drafted by the Commission's industrial affairs directorate, it leaves figures and precise definitions open for bargaining with the Japanese.

The paper comes at a time when several big Japanese car makers are reconsidering plans for European assembly plants because of uncertainties about EC strategy for the car industry in the run-up to 1992.

It is entirely separate from a much wider draft strategy document for all aspects of the car industry, from state aid to local content, over which the Commission has been unsuccessfully wrestling for months.

The document is designed as a negotiating brief for Mr Narjes, who is due to arrive in Tokyo on Monday for a two-day visit, during which he will address a symposium organised by the Keidanren, the powerful Japanese federation of business organisations with Unice, the EC employers' organisation. It also gives the Commission a chance to clarify its formerly hazy stance on Japanese car imports, although there were no signs of an early end to its traditional divisions on the issue.

At one extreme, Mr Peter Sutherland, the Commissioner for competition policy, is understood to want no change in the EC system of leaving it to Japan to impose export restraints on itself after discussions with the Commission. Tokyo's Ministry of International Trade and Industry discreetly encourages car exporters to stick to an EC market share of roughly 10 per cent.

At the other end of the debate is Mr Narjes, who wants a clearly negotiated voluntary export restraint accord. Accordingly, Commission officials warned that the strategy on the table yesterday evening

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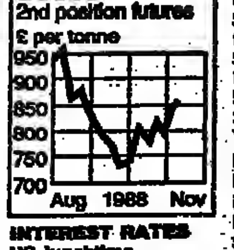
Single arms market, Page 24

MARKETS

Cocoa
2nd position futures
£ per tonne



STERLING
New York lunchtime
$1.7695 (1.77975)
London:
$1.7705 (1.7755)
DM3.1675 (same)
FFr10.800 (10.805)
SFr2.6575 (2.6525)
Y222.25 (221.5)

DOLLAR
New York lunchtime
DM1.79075 (1.7725)
FFr6.1055 (6.0655)
SFr1.50425 (1.49025)
Y125.6 (124.55)
London:
DM1.789 (1.784)
FFr6.1 (6.085)
SFr1.5015 (1.4935)
Y125.5 (124.7)

GOLD
New York lunchtime
Comex Dec
$421 (424.7)

INTEREST RATES
US lunchtime
Federal Funds 8⅛% (8¼)
3-mth Treasury Bills: yield: 7.825% (7.71)
Long Bond: 101⅞ (same)
yield: 8.955% (8.96)
London
3-month interbank
close 12% (12⅛)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,129.62 (+4.98)
S&P Comp
275.08 (+1.15)
London:
FT-SE 100
1,840.6 (+20.9)
World:
132.34 (Mon)
Tokyo
Nikkei Ave
28,007.27 (+140.91)
Frankfurt
Commerzbank
1,605.2 (+14.9)

OIL
Brent 15-day (Argus)
$12.60 (-0.15) (Nov)
West Tex Crude
$13.835 (-0.20) (Dec)

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Old problems haunt relations between Bonn and Moscow

The problems that remain unresolved between Moscow and Bonn following Chancellor Helmut Kohl's visit to the Soviet Union last month are in many ways surprisingly similiar to those that prevailed in the 1950s
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Greek Government refuses to quit over Koskotas affair

By Andriana Ierodiaconou in Athens

THE GREEK Government yesterday rejected calls for its resignation by the country's opposition parties following the disappearance of Mr George Koskotas, the banker and press baron charged with embezzlement and foreign currency fraud.

A government spokesman claimed that the Koskotas scandal, the most serious of its kind in Greek post-war history, was a domestic and foreign conspiracy against the ruling Socialists.

The 34-year-old Mr Koskotas, who rose to power in Greece over the past six years as the head of an influential business empire, was cherged last month with embezzlement and the use of forged or illegal documents in foreign currency transactions.

Mr Koskotas, who was under 24-hour police surveillance, is widely reported to have left Greece by sea on a private yacht.

His disappearance prompted the resignation of the Public Order Minister on Monday.

The Government, however, has rejected opposition accusations of masterminding the beleaguered tycoon's disappearance to prevent any involvement of Socialist officials in the scandal from coming to light.

Mr Constantine Mitsotakis, the opposition Conservative leader, charged during a special parliamentary debate last week that government ministers and individuals close to Mr Andreas Papandreou, the Prime Minister, were involved in the Koskotas affair.

The Government's claim to be a victim of a conspiracy appeared to cut little ice with public opinion yesterday, while it was ridiculed by opposition parties on both the left and the right.

However, despite the universal outcry, the signs were that there was little prospect of the Government stepping down of its own volition. A government spokesman reiterated yesterday that the next general election would be held next June when the Socialists' four-year term in office expires.

Old problems haunt Soviet-West German relations

David Marsh on similarities between Kohl's visit to Moscow and Adenauer's in 1955

SOME PROBLEMS in Germany never seem to change. The political issues remaining unresolved between Bonn and Moscow after Chancellor Helmut Kohl's visit to the Soviet Union last month are in many respects surprisingly similar to those which dogged relations between the two countries in the 1950s.

In spite of the progress in establishing prosperity and democracy in the Federal Republic in the past four decades, Mr Kohl now faces a resurgence of the difficulties which confronted Konrad Adenauer over the country's "in the middle" position between East and West. The conundrum has resurfaced as a result of detente between the superpowers, Mr Mikhail Gorbachev's reform drive and doubts about a flagging of America's military role in Western Europe.

All this gives Bonn the chance, to use the phrase of Mr Hans-Dietrich Genscher, the Foreign Minister, to "overcome the division of Europe." This objective was summed up most vividly in e recent speech by President Richard von Weizsaecker, when he said "people are again becoming aware of the old, the larger Europe".

In an indirect rebuff for the US and Britain, he criticised "warning voices from other quarters in the West that we should not be blindly optimistic about Mr Gorbachev's reform plans." Such concerns, Mr von Weizsaecker said, reflected "short-sightedness" and even "lack of faith in (the West's) principles of freedom and human dignity."

The trouble for Bonn is that talk of change in the post-war European order must inevitably disturb the foundations of the Federal Republic, formed as a "provisional" by-product of Cold War cleavage. Division of the German nation – an outcome which the four allied war victors did not originally intend, and which the three Western powers are still pledged by treaty to reverse – has given West Germany stability, but has deprived it of normal legal statehood.

"New thinking" in Europe thus requires the Federal Republic to come up with new answers to some old questions – about relations with its neighbours in East and West, as well as about its own identity – which for 30 years have been put in abeyance.

In dealing with these questions, Bonn's task in 1988, just as it was in 1955 when Dr Adenauer made the first visit to Moscow of a post-war Chancellor, is threefold. The first challenge is to build bridges with the Soviet Union without upsetting West Germany's pattern of economic and military integration with the West – and above all, without disquieting France.

The second is to try to rally support within the Federal Republic for a Nato defence policy which to much of the population looks suspiciously like a preparation for a war to be fought exclusively on German soil. The third is to use the relationship with Moscow to try to find e path towards the far-off, perhaps unreachable, goal of unifying East and West Germany.

Some of these challenges were on display in Moscow last week. When Dr Adenauer travelled to Moscow in September 1955, West Germany four months earlier had been given back its sovereignty and the right to re-armament in exchange for membership of Nato and the Western European Union.

Although Dr Adenauer did not fully realise this at the time, The path of Western integration was to prove for Moscow a fundamental hindrance to any move on reunifying Germany. Rearmament and Nato were far from popular in West Germany in 1955 – mirroring in some ways today's new surge of public criticism over Nato troops, aircraft and weaponry stationed in the Federal Republic.

"Everyone in Germany knows that in the event of an armed conflict, our geographical position would make us particularly endangered," said Adenauer in his opening statement at the Moscow talks in 1955.

Similarly, Mr Kohl in a television interview at the weekend before his Soviet visit used the word "glacis" – unusual in Bonn government parlance – to describe the Federal Republic's uncomfortable front-line role in Nato.

Dr Adenauer in his 1955 speech called for a "security system (that would) bridge the gap between East and West" and declared that Nato forces could not be used aggressively – remarkably similar vocabulary to that of Mr Kohl and other Ministers in Moscow. Also, Dr Adenauer in 1955 and Mr Kohl used almost exactly the same words in Kremlin speeches to describe the division of Germany as "against nature."

In this respect the difference was in the Soviet replies. Marshal Bulganin, the Soviet Prime Minister 33 years ago, said that Bonn's Nato membership threw up "grave difficulties" to this objective, but none the less reiterated Soviet support for "re-establishing the unity of Germany as a peace-loving and democratic state."

Mr Gorbachev on the other hand drew on a quotation from Goethe to underline brusquely that attempts to reverse the "historically-produced" division of Germany would be "incalculable, even dangerous."

The apparent firmness in Mr Gorbachev's response paradoxically highlights how the Soviet position on German reunification has weakened over 30 years. And it also illustrates how, in spite of Mr Kohl's realistic assessment in Moscow that he would probably not live to see reunification, the "German Question" will not lose potency.

In 1955, it was still possible for Moscow to believe that Germany could be reunited as a "democratic" communist state. In view of the failures of the communist system which have prompted Mr Gorbachev's perestroika, that hope can hardly be kept alive in the Kremlin today. Indeed, some members of Mr Kohl's delegation in Moscow were saying that Mr Gorbachev's riposte over German unity was designed more to prop up the self-confidence of the East Berlin regime than to dampen illusions in Bonn.

Today, the most practicable long-term path to German unity – perhaps on the basis of some form of confederation – arguably comes from an extension of the Western European integration which the EC is trying to practise through the internal market programme. Some members of the Social Democratic Party (notably Mr Egon Bahr), in a variation of arguments also used by the SPD in the 1950s, contradict this by saying that an increasingly close-knit Western Europe in fact makes reunification impossible.

None the less, this hope of using EC integration as a back-door route to some form of German unity is very much kept alive by the Bonn government, above all by Mr Genscher. Trying to balance this long-term aim with the imperative of keeping favour and dampening suspicions in Moscow, Paris and Washington will be – just as it proved to be with Dr Adenauer – a highly delicate task for Bonn diplomacy.

Turkey brings four Greek protesters to court

By Jim Bodgener in Ankara

COURT PROCEEDINGS started yesterday in Ankara against four Greeks still held after the arrest on Friday of 18 of their countrymen and eight West German demonstrators. All were detained at a mass trial of alleged Marxist-Leninist militants, arrested following the 1980 military coup.

The Greeks and West Germans initially detained were protesting on human rights grounds, and came from various political groupings, including several prominent members of the ruling Socialist party in Greece, and the Green Party in West Germany.

Twenty of the protesters have been deported. The remaining four Greeks have been named as Mr Nikolaos Belavilas, Mr Georgios Kuvidis, Mr Konstantinos Nikiforakis and Mr Nikos Yannopolus.

The Turkish government appears determined not to pass lightly what it regards as e serious disruption of the judicial process. On Monday evening, it issued a strongly worded statement alleging that "certain political circles" in Greece might have helped orchestrate the demonstration.

It accused the the Greek mass media of playing up the situation, in order to discredit Turkey's image abroad. The statement also said claims of ill-treatment during detention by the deported protesters were grossly distorted.

More ominously, the statement claimed that during investigations of the four Greeks, the police had discovered anti-Turkish propaganda material suggesting their possible connection with the outlawed Kurdish Workers' Party.

Andriana Ierodiaconou adds from Athens: Greece yesterday rejected Turkish accusations that it was seeking to gain political capital from the arrests.

The irritable exchange of statements between Athens and Ankara over the arrests confirmed a general deterioration in the Greek-Turkish rapprochement launched in Davos last January.

Jews doubt strength of shame in W Germany over Holocaust

By David Marsh in Frankfurt

WEST GERMANY this week is undergoing a commemorative orgy of remembrance over the anti-Jewish pogroms of *Reichskristallnacht* (the Night of Broken Glass) 50 years ago, the start of the countdown to the Holocaust.

Newspapers and all three channels of television are full of accounts of the Nazi-organised looting and savagery against the Jews on November 9 1938 which resulted in about 100 deaths, with synagogues burned, shops and homes plundered, and 30,000 Jews bundled off to concentration camps.

But will the mood of regret for what the Germans did to the Jews endure? Mr Ignatz Bubis, chairman of the roughly 5,000-strong Jewish community in Frankfurt, where the main West German commemoration ceremony is taking place today, is sceptical.

Mr Bubis, who will be speaking at the ceremony in the synagogue in the West End of Frankfurt along with Chancellor Helmut Kohl and other dignitaries, said here yesterday: "It is not what is being said here today that is the problem. The problem is what will happen afterwards."

He believes that the media are concentrating attention on the pogrom in an obligatory display of shame which will soon disappear.

Mr Michel Friedman, in charge of cultural activities at the Jewish community in Frankfurt, adds: "The newspapers are making up for what they do not write for the rest of the year." Referring, perhaps bleakly, to the possibility of anti-Jewish vandalism in response to the *Reichskristallnacht* events, he says: "In 10 or 12 days' time, something will happen at a Jewish cemetery – and you will not read about it in the newspapers."

The community of 28,000 Jews still officially registered in West Germany is split over how the Pogrom Night should be commemorated here. Mr Bubis and Mr Friedman, who are among the leaders of a new generation anxious to reassert Jewish consciousness in Germany, are undoubtedly radical in their views. But they argue that their sensitivity over the need to keep alive memories of the past in the German public is entirely justified by history.

Mr Bubis and Mr Friedman both voice criticism at the choice of Mr Kohl to lead the political speeches at today's ceremony. They have not forgotten Mr Kohl's tactless remarks on the Jews at the beginning of his period of office – nor his presiding over the graves of SS soldiers at the famous visit to the Bitburg war cemetery with President Ronald Reagan in 1985.

Mr Friedman says he is sure Mr Kohl's speech today will be appropriate, but he will be looking for a convincing delivery. "It is not what he says, but how he will say it."

Leslie Colitt adds from Berlin: Separate ceremonies were held yesterday on both sides of the Berlin Wall.

Mr Erich Honecker, the East German leader, bestowed high state awards on prominent foreign and German Jews, including the heads of the Jewish communities of East and West Germany and officials of the World Jewish Congress.

He said the "bestial murder" of 6m Jews would remain "unforgotten" among East Germans and serve as a warning to future generations.

The East German Parliament met in special session to mark the pogrom. It was addressed by Mr Siegfried Rotstein, head of the tiny Jewish community in East Germany. The East Berlin ceremony was also attended by Mr Heinz Galinski, the leader of West Germany's Jews, who has spoken bitterly in recent days about the refusal of the West German Parliament to ask him to speak at its memorial session.

Mr Honecker, who served the greater part of a ten-year sentence for treason in the Nazi prison camp of Brandenburg, has recently been widely praised by Jewish officials.

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EUROPEAN NEWS

Brussels to push for cross-border energy sales

By William Dawkins in Brussels

THE EUROPEAN Commission said yesterday it will table ideas next year for encouraging cross-border sales of gas and electricity.

EC energy ministers agreed at a meeting in Brussels yesterday that better cross-border energy supplies should be a priority of tha Community's campaign to create a single free market by 1992.

Such moves have the strong support of the French Government, which wants to hoost sales of its cheap nuclear generated electricity to other countries - especially to West Germany.

Paris takes over the EC Presidency in the second half of next year, ideal timing for it to give an early push to the results of the Commission'a deliberations on liberalising the energy industry.

France can count on the support of the UK, which wants more freedom to sell natural gas across Europe, and is urging the Commission to repeal a 1975 EC directive restricting the use of gas in power stations for prodncing electricity. It argues that now is the time to get rid of a directiva that was originally intended to save energy in the wake of the first oil prica shock.

West Germany and Denmark, however, are cautious. Bonn wants to protect its coal industry, which produces more expensive electricity than nuclear-powered French competition, while Copenhagen wants some form of protection for renewable alternative energy sources, which have declined in importance along with the fall in oil prices.

Commission given caustic warning on social policy

By David Buchan in Brussels

THE CHIEF representative of Europe's employers yesterday delivered a caustic warning to the European Commission and trade unions not to worry too much about the social impact of the planned single EC market, because the single market was nowhere near completion.

Mr Zygmunt Tyszkiewicz, secretary-general of Unice, the umbrella organisation grouping all EC employers' federations, said many people were succumbing to "the understandable temptation to swim in the warm seas of social policy, rather than enter the icy, turbulent waters of removal of barriers."

Mr Tyszkiewicz forecast that the Commission's forthcoming "half-term" report on its eight-year internal market programme would show "we have moved backwards" in some areas of barrier-removal.

But at the conference organised by the Economic and Social Committee, an institutional cross-section of Community sectoral interests, Mr Jean Lapeyre hit back on behalf of the European Trade Union Confederation (Etuc).

He endorsed the Commission's call for a new European charter of workers' rights, and urged "a qualitative leap forward" in the Unice/Etuc social dialogue which Mr Jacques Delors, the Commission president, is trying to revive, to the particular irritation of Mrs Margaret Thatcher, the British Prime Minister.

However, most Continental conservatives and employers part company with their UK counterparts in seeing a role for a European-level employer/union dialogue on such issues as training, provided, as Mr Tyszkiewicz said yesterday, it does not involve itself in trying to set European pay levels or labour regulations.

Greece, as current president of the EC Council of Ministers, plans to make social policy a focus of the Rhodes summit early next month.

Prague brings forward economic reform plans

By Leslie Colitt

CZECHOSLOVAKIA is to begin implementing an economic reform plan in January 1990, a year earlier than originally planned, according to Mr Ladislav Adamec, the new Prime Minister.

Presenting his government programmes yesterday in Prague, Mr Adamec said "profound economic and political reforms" were the main goals.

"We say openly and emphatically – addressing doubting people both at home and abroad – that our programme is to accelerate and not to slow down or even stop reforms," he said.

The ousting last month of Mr Adamec's reform-minded predecessor, Mr Lubomir Strougal, was widely interpreted as a heavy blow to change in Czechoslovakia. Previous reforms to streamline the economy were widely seen as far short of what was needed.

Mr Adamec warned that "multiplying signs of difficulties" in meeting this year's economic plan targets and "serious problems" with preparing next year's plan needed "immediate rectification."

In view of the "high degree of exhaustion" of material and financial resources there was no other way left than to achieve a "speedy turn" towards a more productive and thriftier economy. He advocated a "gradual shift" in proportions between sectors of the economy, cuts in production of certain goods and expanding others.

Economists at the independent Economic Forecasting Institute in Prague warned last week that Czechoslovakia was in serious straits. The centrally-planned economy was grinding out heavy machinery for which it could scarcely find markets. The balance of trade with the West was falling deeper into deficit while growing shortages had developed in consumer goods accompanied by rising retail prices.

Mr Adamec called the "unjustified" rise in retail prices "inadmissible" and called for "gradually improving" consumer goods supplies.

Spanish finally find their seat at the Nato table

The alliance's Military Committee this week outlines the role of Madrid's forces, reports David White

LIKE A reluctant nawcomer looking for the right seat in a school classroom, Spain is this week expected to find its place in the North Atlantic Treaty Organisation, six and a half years after it joined.

Nato's Military Committee is due to approve a framework document setting out how the forces of tha alliance's most recent member will fit in with the rest, co-ordinate with those in the integrated military command structure and provide key logistical support facilities.

Having settled its Internal controversy ahout membership, Spain formally asked in January for guidelines to be worked out. It had hoped – naively, in the view of Nato officials – to have them approved hy mid-year.

Any further delay could prove severely embarrassing. In front of a public that demurringly let itself be persuaded to join Nato (Spain is the only ally that has actually voted on membership), it would be hard to explain the difficulty of finding military accommodation within the alliance.

"Nato would come ont looking ridiculous," commented one Spanish official.

Spain was taken into Nato by a hard-pressed centrist government, anxious to anchor the country in the International community and to interest the military in concerns other than Spanish politics. When it joined, it did so by the back door, quietly depositing its instrument of accession with the US Government in May 1982.

Five months later, the Socialists, who had opposed entry, were voted into office pledging to freeze integration and hold a referendum. They summoned up courage to hold the vote in 1986, winning a majority for the principle of staying in the alliance, but outside its military command structure and with a smaller US military presence.

Being outside the integrated structure means having no Spanish troops under Nato command. Like several other allies, Spain also prohihits nuclear weapons on its territory. But in all other respects it has become a full participant, involved in all Nato deliberations, inclnding planning and defence co-ordination.

Unlike France, also outside tha military structure, Spain sits on Nato's Defence Planning Committee and its Nuclear Planning Group, and is an enthusiastic partner in arms production collaboration.

Mr Narcis Serra, Spain's Defence Minister, who has been in his job longer than any of his Nato counterparts, is accused at home of creeping integration.

The line between Spain's position and full integration is indeed a thin one. The current Madrid Government has set itself against sending troops to serve with Nato abroad. But, officials say, no doors are closed.

There is no constitutional barrier, and a future government could integrate Spain fully. Allies are already thinking in terms of a Spanish role on the central front through a rapid intervention force which Spain plans to form.

What has been taxing Spanish and allied minds is estahlishing what Spain can hring to Nato, other than its substantial presence on the map.

Initially, Spanish officialdom spoke grandly of an "axis" of responsihility from the Balearics to the Canaries, but that term has been quietly dropped, and that sweep of water broken into its component parts.

Spain's proposal set out six "missions" or areas of involvement:

● Defence of Spanish territory.
● Air defence: making a link in the Nato chain.
● Control of the Strait of Gibraltar: a thorny issue, given the dispute over the British colony's sovereignty and its Nato role.
● Sea and air operations in the Eastern Atlantic.
● Sea and air operations in the Western Mediterranean, where Nato forces have a gap.
● Logistical support: an important component, although decisions about siting of facilities have yet to be faced. As a "rear area strategic zone" Spain would be in a position to support the southern flank and even the central *front.*

Although not formally linked, the Nato guidelines had to wait for the new bilateral pact between Spain and the US, following Washington's grudging agreement to pull out the 401st Tactical Fighter Wing, with its F-16 fighter-bombers. These are to move to Italy, leaving Spain with two US air bases and the Rota naval base.

Madrid had to fudge the question of allowing nuclear arms on Nato ships, making a distinction between "introduction" of warheads and weapons in transit. Following Denmark's example, it retains authorisation rights hut will avoid challenging captains as to what arms they have aboard.

Other factors have also delayed the process. Ground-rules had first to be established whereby Spanish forces could come under operational and tactical control of Nato commanders, and Nato forces under similar control from Spanish commanders.

In addition there was the hitch of Spain not recognising the Gibraltar Gibmed command. An understanding has now, however, been reached with the UK to co-ordinate via the Commander-in-Chief Allied Forces Southern Europe in Naples.

Spain's future role has also proved tricky with other allies in the south, especially Portugal, which is unhappy at the prospect of Spanish interference within the Portuguese-based Iberian Atlantic Area (Iberlant) command zone.

But above all, Spain has its own views of history and geography. Left rubbing its wounds after the loss of its main colonies in 1898, and debilitated by long North African campaigns, it has spent most of this century in isolation. It stayed out of both world wars, although Franco did send a volunteer division to fight for Hitler in Russia. Efforts to modernise the armed forces in the 1930s were abruptly cut short by the civil war and the dictatorship that followed.

Most Spaniards have little sense of a Soviet threat. On the other hand anti-American feeling runs deep, made worse by the military pact the US made with Franco 35 years ago. There is also traditional suspicion about North Africa. The only European country today with part of its territory in Africa, Spain still looks south rather than east.

In 1982 a group in the army demanded that Nato should cover the North African enclaves of Ceuta and Melilla, in the same way as the Algerian departments of France were included under the original Treaty of Washington. But Madrid, deeming it better to keep its Moroccan problem on a bilateral level, never pressed the case with Nato.

The armed forces' degree of preparedness is varied. The navy, very pro-Nato and forward-looking, has been readying itself for the past 10 years. The air force, though well-equipped, will have to adjust to Nato standards and co-ordinate with Nato air defence. The army, which at Franco's death in 1975 was still a traditional garrison army, based in the towns, is being trasoformed.

Bringing the military up to scratch with Nato requirements will be a costly process. That is one implication of membership that the Spanish have yet to digest.

SPAIN AND PORTUGAL TO SIGN ENTRY TREATY TO WESTERN EUROPEAN UNION NEXT WEEK

SPAIN AND Portugal will formally become members of the Western European Union, at present made up of seven countries, next Monday, when their foreign ministers are due to sign a treaty of accession In London, writes Robert Mauthner, Diplomatic Correspondent.

The ceremony, presided over by Sir Geoffrey Howe, the British Foreign Secretary, will take place during the regular six-monthly meeting of WEU foreign and defence ministers, following the solution of all remaining technical problems by their political directors last Friday.

It has taken barely six months of negotiations to conclude the membership agreements, which will associate the European Community's youngest members with the loosely-knit defence organisation, the aim of which is to strengthen military co-operation between the West European members of Nato.

Though the membership of Portugal presented virtually no problems and could have been settled in a matter of weeks, Spain's entry was more complicated, given its reservations about nuclear weapons and Nato's integrated defence organisation.

Under the compromise reached, both Spain and Portugal have accepted the WEU's defence strategy, based on a mix of nuclear and conventional forces, laid down in the "Platform on European Security Interests," adopted at the Hague ministerial meeting in October 1987.

But the quid pro quo insisted on by Madrid is that Spain should be exempted from stationing nuclear weapons on its territory for the moment.

The present member states have also accepted that Spain should not become a member of Nato's integrated command for the time being.

Instead, the Madrid Government has undertaken that it should negotiate guidelines for military co-operation with Nato's supreme European command (Saceur), similar to those worked out with France, which has also not been part of Nato's integrated structure since 1966.

Though the WEU is no more than an embryonic European defence grouping, the 1948 Brussels Treaty which set it up contains one provision which is even more binding than that linking the Nato allies. All signatories have undertaken to come to each other's aid in the event of an attack on their territory by a non-member country.

Moscow to free 'all' political prisoners

By Judy Dempsey in Vienna

THE SOVIET authorities will release the country's remaining political prisoners before a proposed human rights conference takes place in Moscow in 1991, Mr Gennady Gerasimov said yesterday in Vienna. He claims there are only 11, but Western human rights organisations say more than 200 hava yet to be freed.

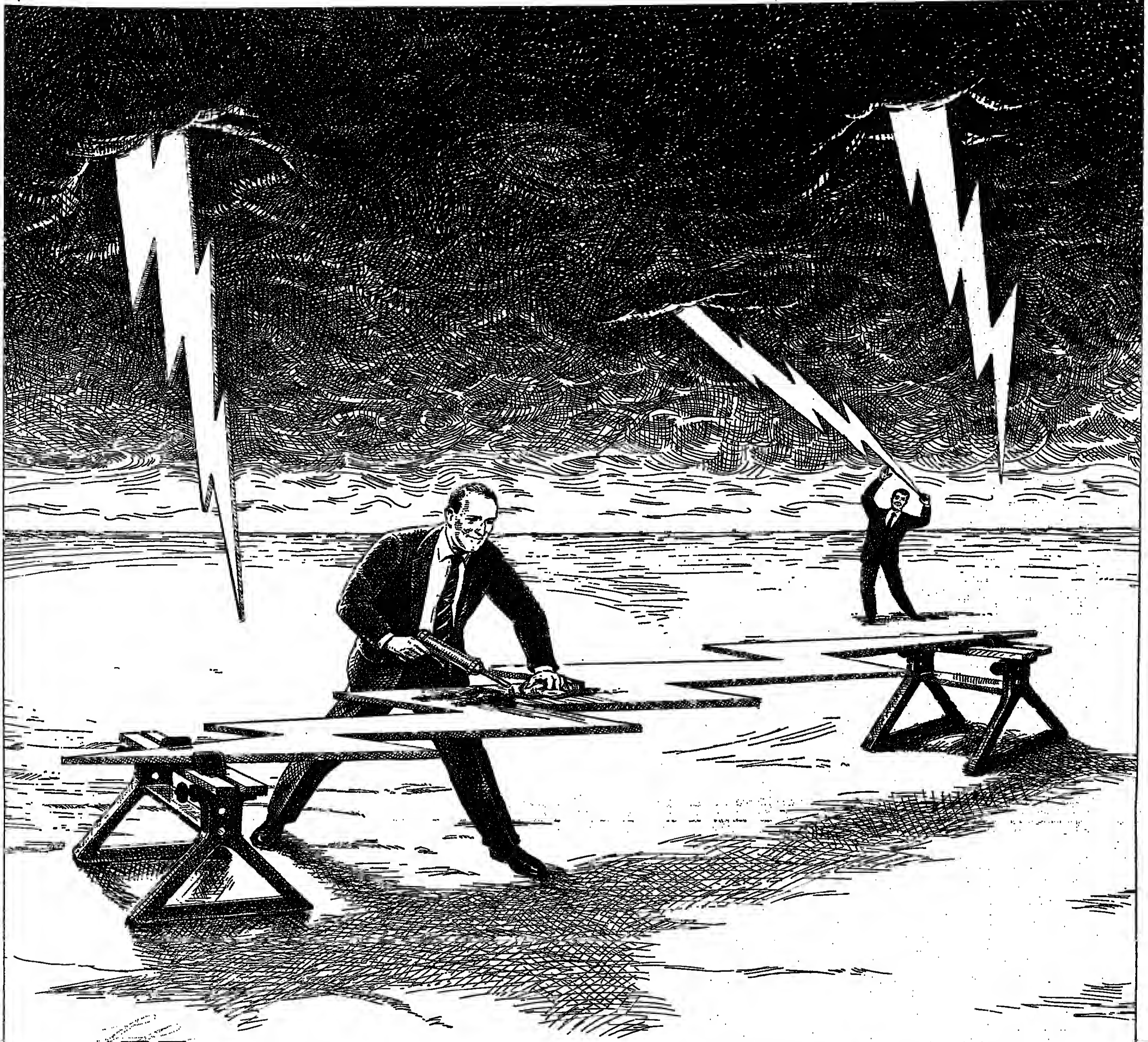
The sharp disparity between Western estimates and official Soviet statistics is related to four separate articles of the penal code under which individuals can be sentenced but who are not regarded by the Soviet authorities as political prisoners.

Yesterday, Mr Gerasimov said the penal code would be revised, thus implying that those prisoners on what he terms Western lists would eventually be released.

The release of all the political prisoners, including Western estimates, is one of the US preconditions for attending a human rights conference in Moscow.

However, support by the US would not be enough. The Soviet Union requires the backing of all 35 participating countries at the Vienna review meeting of the Conference on Security and Co-operation in Europe, to which the Moscow conference is linked.

Bnt other Western countries, most notably Britain, remain opposed to such a conference.



WORLD TRADE NEWS

Australian-made Mitsubishi cars sold to Japanese

By Chris Sherwell in Sydney

IN AN ELEGANT variation on the coals-to-Newcastle theme, Australia is scoring a small but notable success exporting cars to Japan.

The car is the Magna station wagon, manufactured in Adelaide by Mitsubishi Motor Corporation's 98 per cent-owned Australian subsidiary. The first shipment of 90 sold out within days, forcing Mitsubishi in Japan to cease advertising it until more arrived.

So far three shipments have been despatched, and the group plans to sell 500 a year if the model gains longer-term acceptance. In a clever touch, the car is being offered with the optional extra of a flying Kangaroo logo saying "Magna Wagon from Australia."

As a car the Magna is unique, but in a curious way. In effect, it is a Mitsubishi Galant in which the transverse members have been cut and lengthened to make a wide-bodied car.

Australians love large, wide cars, and for Mitsubishi the Australian Magna has been a winner, outselling all other four-cylinder cars and ranking third behind the bigger Ford Falcon and General Motors-Holden Commodore models.

In 1987, two years after its introduction, Mitsnbishi launched the station wagon version, with its even stronger family appeal, and it is the upmarket variation of this which is going to Japan.

The move springs from a conscious decision by Mitsubishi not to link up with any of Australia'e other four manufacturers - Holden has tied up with Toyota, for example, and Ford with Nissan - in the great shake-up dictated by the Canberra government's eight-year car plan.

Instead it aims to build volume through exports. In the specific case of the Magna, it is seeking to take advantage of recently-relaxed laws in Japan which previously imposed taxes on wide-bodied cars. The change means it can be sold for just under A$30,000 (£14,030).

This is reckoned to be a reasonable price for an imported car at the luxury end of the market. According to Mitsubishi, wagons have long been regarded by the Japanese as utility vehicles. The Magna, as a luxurious passenger wagon, is "something very different".

The car is being sold through some 300 specially selected Mitsubishi dealers in Japan's major centres, but it does have some minor differences from its Australian sister – in the wing mirrors, the car radio, and emission standards.

The manufacturing line in Adelaide has also been adapted to improve Mitsubishi's quality control methods. It is tiny by world standards, producing just 230 cars a day, with about 84 per cent local content. This is less than the permissible level, but manageable if there are compensating exports, which is another reason for selling the Magna in Japan.

Mitsuhishi Australia is meanwhile looking for a better year in terms of profits. It recorded an A$19.6m loss in 1986, and clambered beck to a A$1.7m profit last year. The Magna exports, and the more buoyant local market, are certain to boost the 1988 results.

● Sweden witnessed a 70 per cent surge in Japanese passenger car imports in the first seven months of this year, eccording to figures from the Central Statistics Office, reports Sara Webb from Stockholm.

The value of Japanese car imports reached SKr2.5bn (£227.7m), corresponding to over one quarter of Sweden's total car imports. Sweden's car exports to Japan only amounted to SKr80m in the same period, or 3 per cent of total car exports.

IFC makes loan debut in Poland

By Peter Montagnon

INTERNATIONAL Finance Corporation, the World Bank affiliate which lends to the private sector, is to make its debut in Poland with e DM30m (£9.47m) loan to the Hortex Agriculture Co-operative.

According to senior Polish trade officials, the loan, which will be used to expand Hortex's production of deep-frozen foods for export, will be the first of several by the IFC.

Poland became eligible for IFC loans after it joined the World Bank in 1986.

"We want to use them as a catalyst" for bringing foreign investment into the country, said Mr Hubert Janiszewski, adviser to the Minister of Foreign Economic Relations. IFC could help offset the continuing perception among foreign investors of Poland as a high risk country, he added.

Mr Janiszewski declined to comment on speculation that the IFC was also considering joining a large joint venture involving Japanese companies in the glass industry.

But he said it was co-operating with the government on a study of opportunities in tourism. State-owned hotels in Warsaw turned away business worth $30m last year for shortage of rooms.

Soviet bloc may improve access to West

By Judy Dempsey in Vienna

EAST EUROPEAN, Soviet and Western diplomats appear ready to agree to a document which could significantly reduce the problems Western companies face when trading with the socialist countries.

The draft document, which specifically aims at improving economic co-operation between East and West, is part of a much broader document now under discussion at the Vienna review meeting on the Conference of Security and Co-operation in Europe (CSCE).

The CSCE, signed in 1975 by 35 states, includes all the countries of Eastern Europe (except Albania), Western Europe, the Soviet Union, the US and Canada.The process is regarded as a way of reaching "confidence and security building measures" through, among other things, the improvement of human rights.

But several Western, and East European, diplomats in Vienna regard trade as an increasingly important issue between East and West.

Hence the main thrust of the economic document whose aim is to reduce existing barriers, particularly the enormous hureaucracy and restrictions Western companies face.

If the terms of the draft document are agreed, Western companies will have greater opportunities for direct contacts with enterprises in Eastern Europe and the Soviet Union, and also with local husinessmen, potential buyers and end-users.

Snch improvements would speed np contacts and contracts through hy-passing ministries and official state-run trade organisations.

Western diplomats involved in negotiations in Vienna suggest however, that the two most significant aspects of the document relate to compensation trade and repatriation of profits. Under current legislation which applies to most of the East European countries, Western companies rarely have a say in the choice of the type of compensation goods with which they are paid.

Often dumped with unsaleable goods, Western businessmen have to spend much time searching for suitable middlemen to sell them.

The draft document says compensation transactions "in all their forms ... will he addressed at the beginning of the negotiations ... and will be dealt with in a flexihle way, especially regarding the choice of products."

In addition, Western companies criticise current joint venture legislation which prevents them from repetriating their profits. They regard such legislation, now under much discussion in Yugoslavia, Hungary, Poland and the Soviet Union as one of the major inhibiting factors in improving trade between East and West.

On this point, optimism is now in the air.

US rejects Third World Gatt exemption demands

By William Dullforce in Geneva

THE US yesterday rejected Third World demands for exemptions from trade liberalising action under the General Agreement on Tariffs and Trade (Gatt) and denied charges that it was moving towards protectionism

Developing countries calling for special treatment in Gatt's Uruguay Round were preaching an old theology, Mr Michael Samuels, the US Depnty Trade Representative, told the Gatt annual meeting.

Trade liheralisation promoted rather than hindered economic growth and was sound policy for countries at all levels of development, Mr Samuels said. There was no need to encourage exemptions from Gatt ohligations.

Mr Samuels also countered accusations from Brazil and other developing countries that the hig trading powers were using their muscle in the trade talks to obtain results in new areas such ee services and intellectual property hnt were failing to respond to Third World needs.

The US was searching for hetter disciplines on egricultural trade, subsidies and countries' rights to apply import restrictions, when home industries were threatened.

Nobody should misread the intentions of the new US Trade Act. A commitment to multilateralism, it meant the forces of protectionism in the US had been defeated even in the face of a $170hn annual trade deficit, Mr Samuels said.

But, he told Gatt's 95 other members, "we are all sinners in international trade, we all have rocks in our hands." Improvement called for political will in members' capitals and in Montreal, where trade ministers ere scheduled to meet in December.

Nigeria seeks toxic waste code

By William Dullforce

NIGERIA has called for the negotiation under the General Agreement on Tariffs and Trade of a code of condnct to control trade in hazardous substances.

The shipping of toxic wastes from industrial countries for dumping in Third World conntries drew worldwide pnhlicity last summer, when the Nigerian Government refnsed to accept a cargo of dangerous chemicals from Italy and the West German ship Kerin B was turned away hy five European coontries after heing chartered to remove toxic waste from Nigeria.

In a paper snhmitted to Gatt's annual meeting in Genenva this week, Nigeria proposed that Gatt should elaborate guidelines governing trade in "domestically prohibited products." This formula would cover exports of prodncts, iocloding industrial and other toxic wastes, which are banned from sale or severely restricted

Under the new agreement, export licences would he issned ooly ofter "prior informed consent" to the import of the product had been received from a control authority in the importing country, Nigeria suggested.

Norwegian group signs 10-year deal with Daiichi

By Karen Fossell in Oslo

NYCOMED, pharmaceutical division of Hafslund Nycomed, the diversified Norwegian group whose main interests are in energy and pharmaceuticals, said yesterday it had signed a 10-year licensing, marketing, research and development (R and D) agreement with Daiichi Seiyaku, one of Japan's leading pharmaceutical companies.

The agreement provides Daiichi with access to Nycomed technology in the field of contrast media (solutions used in radiology to help create sharper x-ray images), to allow it to undertake clinical research and testing to enable new imaging products to be introduced into the Japanese market more quickly than would otherwise be possible.

In return, Daiichi is to make "substantial" annual contributions by financing part of Nycomed's R and D costs, which are currently estimated at NKr200m ($30m) annually.

Under the agreement, Daiichi will be given exclusive licensing and marketing rights in Japan for Nycomed's contrast media products.

Daiichi has also exercised an option to obtain licensing and marketing rights in Japan for a third-generation imaging product, Iodixanol, which began clinical tests this week.

Nycomed said the new product could be introduced in the Japanese, European and American markets in two to three years after testing and approval.

In the US, Nycomed has a licensing agreement with Sterling Drugs similar to the agreement with Daiichi.

Nycomed has been involved in developing contrast media for about 30 years. In 1974, it introduced non-ionic (in which the level of iodine is reduced) contrast media to the market. This has allowed patients to recover more quickly from radiology tests.

Pilkington in Brazilian defence venture

By David White, Defence Correspondent

BRITAIN'S Pilkington glass group is to set up a joint venture in Brazil with the Sao Paulo-based private-sector company D F Vasconcellos to make weapon sights and night vision equipment for the Brazilian armed forces and some export markets, probably including Sandi Arabia.

The venture is one of the first agreements between the UK and Brazil on transfer of defence technology.

Exports from Brazil are to be decided by the joint board and will be subject to approval by both the British and Brazilian governments. Pilkington is optimistic its equipment will be incorporated in the Osorio battle tank which Engesa of Brazil is hoping to sell to the Saudis.

The UK group missed out some years ago on a joint venture opportunity with Engesa.

Pilkington makes a range of military electro-optical systems, including one for the UK Challenger tank. It has flat glass operations in Brazil through the Providro company.

Pilkington is initially putting about £1m into the joint venture, which will rely on its know-how. The venture will work from Vasconcellos's current plant until a new factory in Sao Paulo is completed.

In an initial phase, the new company will depend wholly on UK-supplied equipment moving to sub-assembling and then to a full manufacturing venture, subcontracting to the shareholding partners.

Saipem in talks with Iran on gas pipeline

By Alan Friedman in Milan

SAIPEM, the Italian state-owned plant engineering company, is holding talks with the Government of Iran about resumption of work on Iran's IGAT-2 gas pipeline. Work on the Iranian pipeline was suspended in 1985.

Negotiations, which have been under way since last June between executives of the Milan-based Saipem and the National Iranian Oil Company (NIOC), concern the possible lengthening of the 600km gas pipeline that currently runs from the South of Iran to Tabriz in the North.

The plan under discussion might see the pipeline extended a further 100km into the Soviet Union. The idea would be for Iran to sell gas to the USSR and for Moscow to then on-sell methane to Western European buyers.

The IGAT-2 pipeline was originally commissioned under the Shah ten years ago. The contract was renegotiated with Saipem in 1983, and having completed the pipeline, the Italian company then completed $130m-worth of further work on the construction of a series of pumping stations along the line. Between 1985 and last June, with the Gulf War under way, the Iranian government deferred decisions on the IGAT-2 project.

The Saipem-NIOC talks could lead to around $100m of further work for the Italian company, but officials inside Saipem say they do not know how long it may take to reach an agreement with Iran.

Sri Lanka urges tourists to leave resorts in south

By David Housego in Colombo

THE Sri Lankan Government yesterday advised foreign tour operators to evacuate holidaymakers from southern resorts in the country because of the deteriorating law and order situation. Incoming charter flights bringing group tours are also being suspended at least over the next few days.

The two measures came after staff at three hotels at Bentota, a beach resort south of Colombo, walked out as a result of threats from the extremist People's Liberation Front (JVP). Holidaymakers were left without services and were being ferried back to Colombo yesterday.

The walk-out at the hotels came in the wake of two-hour stoppages by staff at other hotels in the south where the JVP movement is at its strongest. At the same time tourist buses and cars travelling in the interior of the country had difficulty in refuelling because the JVP has disrupted petrol distribution.

The disruption of the tourist industry marks a further intensification of the movement's campaign to undermine the Government's authority and prevent the holding of presidential elections – nominations for which must be filed tomorrow.

It is a double blow for the Government. Tourism is a big source of foreign exchange which the economy can ill-afford to lose in face of a widening current account deficit. More important, tourist arrivals have provided reassurance to Sri Lankans that, notwithstanding the current political troubles, the country from the outside still seemed to be running smoothly.

The tourist board said yesterday that the recommendation to tour operators had been made because the strikes meant tourists could no longer be guaranteed a quality service. Uppermost in the mind of President Junius Jayawardene, however, was the fear for the safety of tourists. It should be added, however, that so far the JVP have made no threat against foreigners.

Open defiance of the Government's authority became more visible in Colombo yesterday with a diminishing number of cars in the street because of the three-day petrol strike. Large queues formed at garages where drivers were allowed no more than a few litres.

The Government expects the situation to worsen tomorrow with the JVP attempting a nationwide shut-down to coincide with the filing of nominations for the presidential election. It remains to be seen whether they will relax the pressure after that – or whether they will attempt to maintain the momentum until the elections, due on December 19.

Some 8,000 foreign tourists – mostly Germans, French and Italians – are currently on group tours in the country. Many were said yesterday to be reluctant to leave the southern beaches, seeing no immediate danger to themselves.

TUI, the large German operator, is offering to fly its clients back to Germany or to the Maldives Islands to continue their holiday. Other operators plan to bring back their tours to Colombo over the next few days.

Oil group finds diamonds a profitable aberration

Chris Sherwell reports on the high-value finds of an Australian company in West Africa

IT IS not the world's largest diamond, but it is big – almost as big as the most famous, the Koh-i-Noor. It is so impressive, it is being called "one of the unique recoveries of recent times". And it has not been found by de Beers, or in South Africa.

Rather, the 181.77 carat colour-D diamond of "exceptionally high quality" has been found by Bridge Oil, a small Australian petroleum company, in one of the world's less important diamond producing countries, the West African republic of Guinea.

A brief four-paragraph announcement in Sydney yesterday said the stone was currently being viewed "in Europe" by a "select group of individuals" who have been invited to submit a tender offer for its purchase.

It is not the first large stone to be recovered from the Aredor mine, 39.6 per cent owned by Bridge Oil along with the Guinean Government. Last year, it found one of 100.3 carats, which was sold for $1.56m (£880,000), and then a second of 143 carats, sold for $3.654m. The latter was polished down to 52.59 carats and sold by Christie's for $7.48m.

Mr Robert Strauss, Bridge's chairman and managing director since 1980, described the latest find yesterday as "like winning the lottery". When the 143-carat stone was found last year, he said: "I said: 'OK, that's it for ten years.'"

Bridge became involved in Aredor when the Guinean Government approached a Swiss banker in 1981 looking for a joint venture partner. The banker was a friend of Mr Strauss, Bridge did a feasibility study and, as Mr Strauss puts it, the more it looked at the prospect, the more it felt it should be involved.

The Government has a 50 per cent stake, with the remainder after Bridge's 39.6 per cent split between the World Bank and the distribution agency for the diamonds. Bridge's own largest shareholder, with 29 per cent, is Elders Resources, an offshoot of the ubiquitous Elders IXL group run by John Elliott, who sits on the board.

The mine is located in harsh territory in the remote south of Guinea on the border with Sierra Leone and Liberia. It went into production in 1985 and now produces 1.5 per cent of the world's gem diamonds and receives the highest price for its production for any diamond mine in the world.

It averages an output of no less than 93 per cent gem quality diamonds, of an average size of one carat (about one-fifth of a gram), each generating an income of approximately $300 per carat.

But it is not a large mine. Production is limited to 180,000 carats a year which compares, for example, with the Argyle mine in northern Australia, the world's largest diamond operation, which produces 30m carats a year, but with a value of around $6 per carat.

Significantly, Aredor sells all its production rather than stockpiling, and largely for political reasons sells it all on the spot market, outside the de Beers Central Selling Organisation which dominates the world diamond market.

The 181.77 carat find is sitting safely in Antwerp and being viewed by some 20 different interests from Antwerp, Tel Aviv, New York and other centres. A decision on the sale will be made within the next few days.

For Bridge the stone is of oddly mixed value. Its share of diamond revenues is of course welcome. But at its annual meeting earlier this year the group had to go out of its way to stress that petroleum production "was, is and will remain the principal activity and long-term future of the company, and the source of its expected future growth".

Last month, for example, it announced the $112m purchase of Petrus Oil in the US, a privately-owned Texas group, in a move which doubled its daily production and lifted its reserves by more than 60 per cent. In size, though, the company still lags far behind such Australian producers as BHP or Santos.

Yesterday Mr Strauss again emphasised that its diamond operation was "an aberration, although a very profitable one." Still, Aredor's estimated reserves have this year climbed another 100,000 carats, to just short of 1bn carats. And only a small part of the existing lease has so far been explored.

For the record, the Koh-i-Noor (Mountain of Light) diamond weighed 186 carats when it arrived in London in 1850. After recutting it was almost 109 carats. First described in 1304, it came into the possession of the Great Moguls and the Persians before finally ending up among the Crown Jewels in the Tower of London.

The world's largest diamond was the Cullinan. Found near Pretoria, it weighed 3,106 carats and was cut into nine large stones and 96 smaller ones. The largest, the pear-shaped Cullinan 1, was 530 carats. It has 74 facets and is mounted in the Royal Sceptre, also kept in the Tower.

Namibian talks due to resume

By Michael Holman, Africa Editor

NAMIBIAN independence negotiations are due to resume in Geneva tomorrow for what diplomats describe as one of the most critical sessions since the talks began in London last May.

The main purpose is to close the gap between South Africa, and Angola and Cuba, over the timetable for the withdrawal of 50,000 Cuban troops from Angola. Pretoria has made implementation of a UN plan for Namibia's independence conditional on a Cuban withdrawal.

The US, which is chairing the negotiations, last month put forward compromise proposals to South Africa and Angola and Cuba, setting out a timetable for the withdrawal of 50,000 Cuban troops from Angola.

South Africa has said it will respond "flexibly" to the proposals, which envisage the pull-out of 4,000 Cubans before Namibia begins a seven-month transition to independence, tentatively scheduled to begin on January 1, 1989.

The remaining Cuban force would move north of a line 150 miles north of the Namibian border, with effect from March 31 next year, and to 250 miles from the border from June 30.

Repatriation of 36,000 Cubans would take place during the first year of Namibia's independence, and the balance during the second year.

Troop withdrawal terms tabled by South Africa and Angola in Brazzaville at the end of September left a substantial gap between the two sides.

South Africa, which originally insisted on a seven-month programme, offered a two-year timetable, with 8,000 Cubans expected to leave before the transition to Namibian independence began, the remained to withdraw 150 miles north of the border by the end of the seven-month transition, and 85 per cent of the remaining force to leave Angola by the end of the first year of the timetable.

Angola offered a 30-month pull-out, with 2,000 leaving before the start of the transition, a further 1,000 a month during the following seven months, and the balance leaving during the remaining months.

Diplomatic activity has intensified since the parties last met in New York in early October.

China mounts relief effort after quakes

By Peter Ellingsen in Beijing

THE CHINESE authorities have mounted a massive relief effort to assist families of the more than 600 people killed and the thousands of others injured by the earthquake that struck Yunnan province in the far south west of the country on Sunday.

Prime Minister Li Peng urged government departments to do all they could to help local officials relieve the suffering. Both his government and the ruling Communist Party sent delegations to support the relief operation.

The quake, which measured 7.6 on the Richter scale, levelled thousands of houses in Lancang and Mengliau counties, the epicentre of the quake, 400 km southwest of the provincial capital of Kunming. The devastation at the centre is said to be almost total, with hardly any houses left standing. Buildings in 14 other counties around the epicentre were damaged, highways rendered impassable and communications cut.

The quake was felt all over Yunnan, as were many of the 34 tremors of various intensity that have occurred since. Work is underway to reopen roads and it is believed radio contact has been re-established with the stricken area.

The governor of Yunnan yesterday flew to the devasted area to supervise rescue attempts, announcing plans for an immediate air drop of emergency supplies, including tents, food and medicine.

Yesterday morning medical teams were sent into the area, but so far there has been no final figure on casualties, though radio reports from Kunming suggest the final deathtoll may be as high as 800.

Yunnan, a mainly ethnic minorities region which shares a border with Vietnam and Burma, is, by Chinese standards, sparsley populated with 35m, and a record of seismic instability as the stricken region lies on a geographic fault prone to earthquakes.

Philippines, IMF to discuss credit line

By Richard Gourlay in Manila

THE International Monetary Fund and Philippine officials today start negotiating a new multi-year credit facility that will plug a gap in the country's financing needs and clear the way for new commercial bank loans.

Last month Mr José Fernandez, the Central Bank Governor in Manila, said the Philippines would be looking for a $600-800m two-year loan to replace a stand-by facility that was fully drawn down in August.

However, the Philippines could push for a longer term loan to allow more time to implement the structural adjustments to the economy that are likely to be required by the IMF, according to local bankers.

Philippine international reserve levels have fallen to $1.6bn, or less than three months imports, and the government has identified what it thinks is a financing gap of around $1.3bn over the next two years.

Manila would like commercial banks, bilateral and multilateral aid donors to fill the gap so that the country's $28.9bn debt can be serviced without disrupting the economic recovery.

The success of negotiations with the commercial banks creditors' committee, which are due to resume later this month in New York, is dependent on agreement of a new IMF programme, Mr Fernandez says.

The Philippines has successfully met most IMF targets for money supply and inflation. It has also managed to push through a few harsh economic readjustment programmes against some fierce domestic opposition.

Even so some economists believe the IMF is likely to require a stricter adherence to a market determined exchange rate – the IMF believes the peso is overvalued at around P21.4 to a dollar – and that it is likely to extend import liberalisation.

Hopes rise of renewed Iran-UK ties

By Victor Mallet

BRITISH and Iranian officials are expected to meet in Vienna today, with both sides hoping to reach a definitive agreement on returning diplomatic relations to normal.

Sir David Miers of the British Foreign Office and Mr Mahmoud Vaezi, his Iranian counterpart, are likely to sign a memorandum of understanding which will pave the way for an exchange of ambassadors in the early part of next year.

Relations have never been broken off, and Iran still has a chargé d'affaires in London. Mr Gordon Pirie is preparing to reopen the British Embassy in Tehran in the next few weeks, and the manning levels of the two missions are expected to be increased in parallel.

Britain closed its embassy after demonstrations which followed the 1979 Islamic revolution, but maintained an interest section at the embassy of Sweden. Britain's last resident representative was withdrawn from Iran after the arrest of Iranian diplomat in Britain on shoplifting charges and the abduction of a British diplomat in Tehran.

Air India toughens line against pilot protests

By K.K. Sharma in New Delhi

TOUGH action against agitating pilots and senior staff of Air India, the government-owned international airline, is expected to be taken by the management.

Yesterday the board of directors gave approval for the management stand against employees who are resisting the withdrawal of some perks.

The month-long protest by the pilots has led to losses estimated at Rs100m (£3.8m) in October because of cancellation of scores of flights and rescheduling and delays in others. The airline operates on routes all over the world.

Disruption of the schedules is caused by what the management calls a work-to-rule campaign by the pilots, many of whom have reported sick just before flights are due to begin. The pilots claim that the disruption is due to managerial inefficiency.

At the root of the trouble is the withdrawal by the management of such perquisites as free first-class travel and other facilities. Air India's pilots guild claims this has been done deliberately to erode the employees' "dignity" but it denies that any work-to-rule has been resorted to.

Since neither side is willing to negotiate, the management has recently stepped up disciplinary action. One pilot has been suspended for failing to pass a breathalyser test, another has been demoted for a faulty landing and a third has been put on a charge for submitting false expense statements.

India's ruling Congress-I Party and some ministers have sharply attacked Mr V.P. Singh, the opposition leader, for alleging that Mr Rajiv Gandhi, the Prime Minister, has stashed away foreign exchange obtained from defence deal commissions in a Swiss bank account, K.K. Sharma writes.

Mr Ghulam Nabi, Congress-I general secretary, and two ministers – Mr Rajesh Pilot and Mr K.K. Tewary – described the claims, involving Bofors, the Swedish arms manufacturer, as a "totally false fabrication". They challenged Mr Singh to repeat the charge in parliament and prove it with proper evidence. They did not comment on the three specific amounts totalling Rs80m (£3m) that Mr Singh claimed had been put into a numbered account in the Swiss Banking Corporation.

Air India officials say that steps taken to reduce the airline's losses have been highly effective since gross revenue in the first half of the current financial year (April-September) rose to Rs5.8bn compared to just under Rs5bn in the same period of last year. Operating profits rose from Rs29.5m to Rs247m in the same period.

In addition to withdrawal of perks, the pilots are opposed to the management's decisions to improve the airline's profits by introducing long-haul non-stop flights

Jakarta money markets squeezed

By John Murray Brown in Jakarta

THE Indonesian Government has moved to bring order to Jakarta money markets, squeezing the money supply and allowing interbank rates to rise to counter the first public reaction to sweeping banking reforms announced at the end of last month.

Mr Adrianus Mooy, Governor of Bank Indonesia, the country's central bank, confirmed that a number of banks faced serious liquidity problems, as interest rates on the interbank market jumped 10 percentage points last week to around 32 per cent as funds were withdrawn in advance of a 15 per cent tax on deposit interest which is to be introduced next Monday.

Bankers in Jakarta yesterday predicted a spate of mergers between small private banks which are particularly dependent on interbank rupiah funds. "Some may even collapse," said an Indonesian banker. "The new regulations will judge a bank not by its size but by the quality of its management."

Bank Indonesia in the past has stepped in to bail out troubled private institutions, the most notable recent case being Panin Bank in 1986. But in the wake of last month's comprehensive reform package, officials have made clear that direct intervention is no longer an option.

Private banks, like Indonesian companies, inherited a two-tier management system as used by the Dutch, the former colonial power. However in practice the management and supervisory boards have tended to act as one with shareholders, often Indonesian Chinese, using banks as lending arms for their own business operations. Shareholders dictate credit policy, lending to affiliated companies often with little internal controls.

Under the new rules, credit to an individual borrower will be limited to 20 per cent of a bank's capital – 50 per cent for a group borrower. Credit to bank shareholders is restricted to 10 per cent of their equity participation.

Indonesia pork fat scare denied

MOSLEM leaders joined this week with business groups in a bid to stem public concern arising from e recent survey which claimed that one of the country's most popular food products contained pig fat, which is proscribed under Islam, John Murray Brown writes.

The Indonesian Council of Ulama, the country's highest Islamic authority, in an unusual move publicly cleared Dankow milk powder, one of the listed products, as *halal*, or fit for Moslems. Dankow, which is manufactured in joint venture with Nestlé, the Swiss Company, yesterday took a front-page advertisement in Kompas, the country's largest newspaper, to restore public confidence in its product. Mr Anthony Walker, the company's president director, said Dankow had spent more than $200,000 to protect its market.

Nestlé accounts for about half of a market worth around Rupiah 160bn (£52m) a year, with Frische Flag, the Dutch dairy co-operative, its main rival. Sales are said to have fallen 80 per cent in the last few weeks. Nestlé's joint venture is with Bimantara, a diversified Indonesian group owned by a son of President Suharto.

Seoul protests to demand Chun apology

By Maggie Ford in Seoul

FIVE big demonstrations have been called in South Korea over the next week in protest at the refusal of former President Chun Doo Hwan and his family to admit wrongdoing under the previous government.

Students are to assemble near Mr Chun's house in Seoul today in an attempt to force the authorities to arrest him and confiscate his assets.

The rally follows two demonstrations last week that attracted growing public support.

Work has slowed in offices and shops during televised parliamentary hearings into the former regime.

Public anger has mounted over the refusal of two former generals to admit responsibility for illegal activities. Mr Chang Seh Dong, once head of the Agency for National Security Planning, an organisation accused of many killings, torture and false imprisonment of opponents, on Monday resisted 14 hours of questioning.

He capped it by hinting that two opposition leaders may have received financial favours during the Chun years.

Nigerian Islamic protests continue

Riot police yesterday patrolled the streets of the northwestern Nigerian town of Sokoto following protests over the appointment of Mr Ibrahim Dasuki as Sultan of Sokoto and the religious leader of Nigeria's Moslem community, Nigerian radio reported, Michael Holman writes.

Police dispersed most demonstrators who had begun their protests at the weekend, but disturbances were reported to be continuing at the Sultan's palace and in the town market.

Mr Dasuki, a wealthy businessman and former diplomat and civil servant, is thought to be close to Nigeria's military leader, President Ibrahim Babangida. He succeeded Sadiq Abubakar, who died last week aged 85. The post has an especial importance in a country where relations between the Moslem and Christian communities have sometimes been strained, and where there is a powerful undercurrent of Islamic fundamentalism.

NZ deficit revised

Mr Roger Douglas, the New Zealand Finance Minister, has said the Government's projected budget deficit for the current fiscal year ending March 31, 1989, has been revised to NZ$1.39bn (£469m), up from an earlier estimate of NZ$1.38bn, Agencies report.

Kampuchea talks

Mr Hun Sen, the Kampuchean Prime Minister, has insisted on tough measures to prevent a return to power by the Khmer Rouge, blamed for the death of 1m Kampucheans during their four-year rule, in the faltering talks on securing peace for his country, negotiators said yesterday, Reuter reports from Fère-en-Tardenois, France.

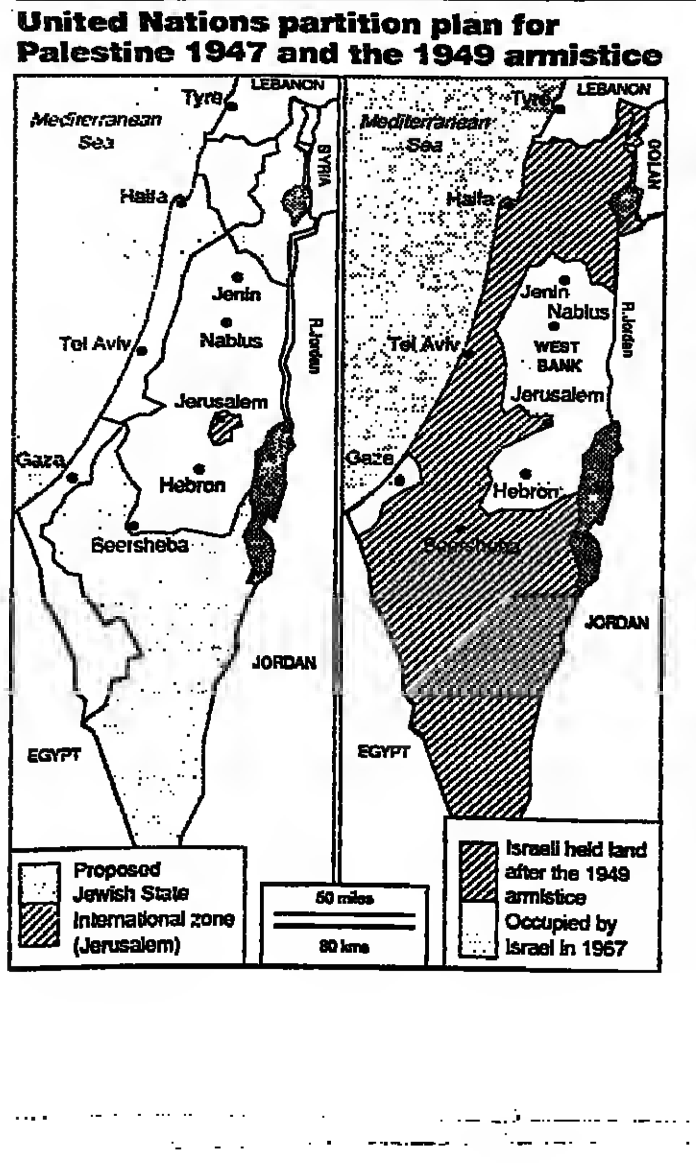
S Africa inflation

South Africa's producer price inflation eased slightly in September to a year-on-year rate of 13.8 per cent from 13.5 per cent in August, Central Statistics Office figures show, Reuter reports from Pretoria.

Ethiopia business

Socialist Ethiopia is offering local businessmen a bigger role in the economy, joining the growing list of Marxist states which are easing restrictions on private enterprise, according to Reuter in Addis Ababa. But President Mengistu Haile Mariam said in a report to the central committee of the ruling Workers Party of Ethiopia released yesterday that the initiative did not mean a deviation from Socialist aims.

United Nations partition plan for Palestine 1947 and the 1949 armistice



Active Arafat strives to secure his position

Andrew Gowers previews this weekend's crucial meeting of the PLO's top body

EVEN by his own frenetic standards, Mr Yassir Arafat has been trotting the globe with unusual intensity of lete. By a conservative count, the Palestine Liberation Organisation chairman has popped up in no fewer than 16 Arab and European countries in the last two months, and has sent senior emissaries further afield. In between, he has been closeted in seemingly interminable consultations with fellow PLO leaders.

On Saturday, the reasons behind this frantic activity will begin to become clear as the whirlwind comes to rest in Algiers. There, the Palestine National Council, the PLO's highest decision-making body, is to convene for what many observers and participants regard as the most crucial meeting in the organisation's 24-year history. Its outcome will help to determine the political future of the PLO itself, and may also have significant ramifications for the moribund Middle East peace process.

Ostensibly, the 453 delegates to the 19th PNC are gathering to proclaim the establishment of an independent state alongside Israel and to announce the intention of forming a provisional government at a later stage. More importantly, they will be considering – in the shadow of last week's distinctly discouraging Israeli election result – how to advance the prospects for negotiations on settling the Arab-Israel conflict.

The discussion is bound to raise familiar questions concerning the PLO's aims, its structure, and its ability to compromise with Israel or with the West's minimum conditions for involving it in an eventual settlement. It could cause a fundamental split between those who favour negotiations with Israel and hardliners who cling to the pipedream of liberating all of Palestine through armed struggle.

This time, though, there is e new urgency to the debate as a result of the 11-month-old Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip, of King Hussein's decision to sever Jordan's ties with the occupied territories and of the climate of detente between the superpowers.

The uprising, or "intifada", has put the PLO on the spot. It has generated real grass-roots pressure among the Palestinians under occupation for political progress towards resolving their plight, and focused attention on their demand for a Palestinian mini-state in the West Bank and Gaza.

Mr Arafat is uncomfortably aware that the intifada was in part a vote of no confidence in his failure to advance their cause. He badly needs to translate their new-found assertiveness into diplomatic action. He also knows that to achieve this, the PLO will have to make political concessions that have always caused it the utmost difficulty in the past.

Mr Arafat's dilemma has been sharpened by King Hussein's move on July 31 to hand over responsibility for the future of the West Bank to the PLO as "sole legitimate representative" of the Palestinians. PLO leaders know that this could turn out to be a poisoned chalice: that if they fail now, the blame will rest squarely on them.

Nor are the pressures purely internal. Mr Mikhail Gorbachev's Soviet Union, a solid supporter of the PLO, has also been playing a key role. After helping to engineer a reconciliation between PLO factions last year, Moscow has been prodding the organisation to adopt flexible positions.

Officials close to Mr Arafat such as his adviser Mr Bassam Abu Sharif and Mr Salah Khalaf, the PLO's effective number two, have been filling the Arab press with statements urging the PNC to take steps which will force the US to reconsider its refusal to deal with the PLO. That means recognising Israel, and explicitly endorsing UN Security Council Resolution 242 of 1967, which calls on Israel to withdraw from occupied territories but which the organisation has always opposed on the grounds that it deals with the Palestinian problem merely as one of refugees.

The first step will be the unilateral declaration of independence which the PLO plans to issue next Tuesday. The idea is to refer to the United Nations partition plan of 1947, which proposed the division of Palestine into two states and provided the legal basis for Israel's establishment. By citing UN General Assembly Resolution 181, the PLO will argue that it is recognising Israel's right to exist, though how far it will go in this direction remains unclear.

Although this move will provide a psychological boost for Palestinians in the territories, it is principally of symbolic importance. The putative state will be recognised by those countries which already deal with the PLO but not by the countries that really matter, especially the US.

The real nub of this weekend's deliberations will concern the establishment of a new political platform to accompany the declaration of independence. The PLO is currently juggling with formulae by which it might accept Resolution 242, probably in conjunction with a reference to the Palestinians' right to self-determination.

Such a move would require political courage of a kind Mr Arafat has not been noted for in the past, and would be a leap in the dark in view of the uncertainties generated by Israel's general election. For these reasons, many observers remain deeply sceptical that the PNC will be able to advance beyond its traditional vague endorsement of all UN resolutions on the Arab-Israel conflict. But some form of movement on Resolution 242 would constitute a major advance in the PLO's position, and one that would force some hard thinking in Washington when the new US President takes office.

OVERSEAS NEWS

Back to basics in India's schools

K K Sharma in New Delhi looks at the struggle in classrooms as educational facilities fail to keep pace with population growth

A class of schoolchildren in a remote Indian village school practice writing Hindi on small wooden boards, often the only teaching aids in overcrowded and ill-equipped classrooms.

EIGHT-YEAR-OLD Jagjit Singh slithers down a slippery path from the main road of Neri Kotli village in a remote part of the backward Himalayan state of Himachal in northern India. He does this to reach what passes for his local school.

After a eight kilometre walk down a treacherous hilly path from his father's village of Drena, on the crest of a hill 8,000 feet high, Jagjit slithers down a slope to a ramshackle building.

The small, decrepit L-shaped school has three small rooms. Jagjit is in class three which has no classroom. So, with nearly 80 other boys and girls from villages as far as 10 kilometres away, he sits along the wall of the wooden-pillared portico. The children are arranged in neat rows, each holding a small, wooden board on which they practice writing Hindi.

The school day begins at 10 in the morning and Jagjit and his classmates must wait patiently until the school's only teacher can find time for them.

The school has 159 children on its rolls in five classes but there is only one teacher for all the different grades and subjects.

Mr Inder Dev Bhalla, the teacher, has no illusions about the quality of education the children receive. He has worked out a system by which the children are kept as busy as they can be in the six hours they are there but he admits: "I don't think I teach more than two hours a day."

"It is just impossible to do everything. How much can one person do?" He has to teach the children to read and write Hindi, elementary mathmetics and what is is called "human environment," a mixture of geography, history and social affairs.

"The bright children imbibe some education if their parents encourage them, but the slow ones have no chance. They just fall by the wayside," says the teacher who complains of lack of simple facilities like a blackboard, desks, chairs and even basic writing materials such as chalk and pencils.

Government-run schools are particularly bad in such remote parts of India. At the primary level, relatively prosperous states like Haryana have better facilities and a student to teacher ratio which varies from 25:1 to 50:1. The drop-out rate all over India is a staggeringly high 60 per cent.

Officials freely admit that education, particularly primary school education, is in an appalling state in India.

Free and compulsory elementary education, a principle of India'a constitution, is neither free, nor compulsory and it is far from being universal or of uniform quality.

An official report acknowledges that 60 per cent of school children drop out within the first five years of their schooling and 75 per cent between classes one and eight.

Officials freely admit that education, particularly primary school education, is in an appalling state in India. The Ministry of Human Resources, which administers education, has also admitted there has been a sharp fall in enrolment rates in primary schools and this implies that the backlog of an illiterate population in absolute terms is increasing with time.

The report adds that in nrban areas there is "overcrowding in schools" and that the condition of buildings, furniture facilities and equipment is "unsatisfactory" in almost all parts of the country.

"Rapid expansion, which was not accompanied by sufficient investment of resources, has caused a deterioration in academic standards," it says.

The Ministry of Human Resources, which administers education, has also admitted there has been a sharp fall in enrolment rates in primary schools and this implies that the backlog of an illiterate population in absolute terms keeps increasing with time.

In real terms, there are more illiterates in India now (437m in the last census in 1981) than at the time of independence (about 300m) in 1947.

Mainly because of the high population growth rate, the World Bank estimates that India will have the largest concentration of illiterate population in the world by the year 2000.

By then, the country will have 58.4 per cent of the world's illiterate population in the age-group 15-19, despite an adult education campaign.

This state of affairs prevails despite a sharp rise in expenditure on education from just $100m in 1950-51 to $1.9 bn In 1977 and $4.7bn last year.

Education receives the second largest allocation after defence in the combined budgets of the central and state governments.

However, taking inflation into account, the Ministry of Human Resources admits that in real terms the total expendture per student a year has actually declined.

The Government recently adopted a new education policy, the feature part of which is "operation blackboard" which aims at providing each school with at least "two reasonably large rooms, two teachers, blackboards, maps, charts and other education facilities.

The aim is to provide universal primary education by 1990, but there is considerable scepticism about the policy because, as the programme itself acknowledges, of the 64m children who will fall in the 6-11 years age-group during the next five years, no more than 25m can be given schooling with existing facilities.

To achieve the target, the government will have to set up 1¼ times more schools within five years

Since the policy does not mention funding and the Government is facing a severe resources crunch, there is good reason for the scepticism, given the past record on education.

An eminent educationist sums up the the policy as being steeped in "wishful thinking rather in hard-headed realities."

AMERICAN NEWS

Panama opposition in poll protest

ACTING President Manuel Solis Palma formally opened Panama's electoral run-up yesterday in a ceremony boycotted by opposition parties, Reuter reports from Panama City.

Mr Solis gave party leaders forms to register candidates for legislative and presidential elections due on May 7 next year, saying the vote would mark "one of the most transcendental moments in the history of our nation."

But the five political parties opposed to the government and to General Manuel Antonio Noriega, the country's military strongman, boycotted the ceremony to protest against what they called lack of political freedoms.

"The government refuses to provide the basic guarantees for free and honest elections, including opening the closed press, allowing freedom of association, halting of arbitrary detentions and allowing political exiles to return," said Mr Ricardo Arias Calderon, head of the opposition Christian Democrats.

But Mr Solis in a speech to government ministers, election officials and party members, criticised the opposition. "They would have lost nothing by being present," he said.

"They would have won because it would have showed that what they want is to have elections, not to bring down a government in order to reach power."

The 71-year-old former education minister was named acting president on February 26 hours after then-president Mr Eric Arturo Delvalle was ousted for trying to fire Gen Noriega. Washington does not recognise Mr Solis, instead backing Mr Delvalle.

Argentine strikers defeat Alfonsín's pay limits

By Gary Mead in Buenos Aires

THE ARGENTINE government has been forced to concede big pay rises, breaching its official pay guidelines, in face of prolonged strikes by thousands of public sector workers.

When the wage curbs were set in August, President Raul Alfonsin's Government said that control of public sector wages was crucial to the battle against inflation, which that month hit almost 30 per cent.

Agreements now reached with striking rail and postal workers breach the maximum monthly increase of 4 per cent laid down in August by Mr Juan Sourouille, Economy Minister, and will be seen by other public sector workers on strike in schools, hospitals, universities and elsewhere, as new officially sanctioned bargaining positions.

Some 30,000 postal workers, who have delayed an estimated 4m items of mail through a work-to-rule, are to be given 15 per cent to cover the final three months of the year. The increase represents 3 per cent more than the Government's guideline.

Post office employees will also each receive an average 20,500 australs ($1,366) in 18 index-linked monthly instalments as full compensation for claimed wage arrears. The cost to the state of that part of the settlement is an index-linked monthly Aus 40m.

Railway workers, who last week halted 90 per cent of trains for 72 hours, have been granted pay increases of 20 per cent covering the last three months of 1988. The increases are officially described as part of a "productivity agreement". Railway unions in turn agree to take no further strike action before January 1989.

Trade unions claim that as inflation since August has hovered around a monthly 10 per cent – it was 9 per cent in October – real wages have been considerably eroded. But the cost of such settlements is likely to be a deeper fiscal deficit crisis, as Treasury revenues fall further behind higher spending on public sector wages.

However, with just over six months to go before a presidential election, and with the Radicals far behind in the opinion polls, drawn-out strike action is seen by the Radicals as a clear vote loser. The settlements will also be seen by some critics as a sign of the unwillingness of President Alfonsin's Government to tackle overmanning and inefficiency in the public sector.

Wage curbs spark Peru protests

By Veronica Baruffati in Lima

A WAVE of strikes has hit Peru this week in protest at last week's government decree limiting wage increases to 40,000 intis, less than $100 at the street rate, until February.

Given inflation of 1,111 per cent a year, the decree imposes a sharp drop in real wages. And with further economic measures looming, there has been an outpouring of protest.

Bankers, textile workers, and employees of various state companies are all on strike over the wage curbs. Many more strikes are planned later this week.

Yesterday the General Confederation of Peruvian Workers met to discuss whether to call a general strike over the wage curbs and in support of the miners' strike.

Some observers believe the government may have to retreat again in order to avoid further unrest.

The crisis has prompted calls from the newly founded centre-right Solidarity and Democracy for President Alan Garcia's resignation because of his "incapacity to deal with the country's problems".

Bnt Prime Minister Mr Armando Villanueva del Campo responded to the call by saying that "rivers of blood will run before the right take over this country again".

And ex-president Fernando Belaunde said that the political calendar should be respected with Mr Garcia handing over power to his successor in 1990.

The President's American Popular Revolutionary Alliance party rallied round in support, expressing "total support of the constitutional president of the republic, Alan Garcia Perez, who because he has stood up to powerful groups in the country, is now the target for insult, calumny and even defamation".

Observers say there is little chance of Mr Garcia quitting, especially as any resignation must be approved in the Apra-controlled Congress.

Peru's miners strike, Page 42

Protests mount in Venezuelan campaign

By Joseph Mann in Caracas

THE recent killing of 14 fishermen by Venezuelan security police and soldiers, and a mysterious troop movement that occurred while President Jaime Lusinchi was out of the country has caused a nationwide wave of protest and indignation. The incidents also have created serious political problems for the administration as the country prepares for a nat ional election on December 4.

Last week students rioted in Caracas and other major cities to protest over the killings while members of the political opposition accused the government of covering up the facts in both incidents. Dozens of students were injured during the riots and two died in the capital when one of them apparently activated a hand grenade they were carrying in their car.

While some Venezuelans believe these two events are signs of discontent among the military, this does not appear to be the case. Some military men gripe privately about how civilians have run Venezuela since the last military dictator was forced ont in 1958. But there is no hard evidence at this time to argue that a coup d'etat is being planned. In Venezuela, the senior officer corps live very comfortably and disgruntled officers usually pass along their most serious complaints to politicians or the press.

In fact, both of these incidents appear to be nothing more than serious and regrettable errors. In one case, an army duty officer did not follow proper procedure and verify his highly unusnal "orders". In the other, nervous security police and soldiers expecting trouble in the tense border area, may have committed what one of Caracas' newspapers called "a fatal error", and fired on unarmed civilians.

Unfortunately, the events took place at the height of Venezuela's 1988 election campaign, and the results of still-incomplete official investigations will probably he swamped in a sea of political accusations and counter-accusations.

Election contest hots up in crucial Tabasco poll

Richard Johns on the ruling party's need for a win

THE OIL RICH state of Tabasco goes to the polls today to choose a new Governor and 17 municipal councils in what is the first major political trial in Mexico since the hotly disputed presidential and congressional elections in July.

Both the way in which polling takes place and the outcome will be a test of the much-repeated but as yet very unconvincing commitment of the ruling Institutional Revolutionary Party (PRI) to "clean, transparent, honest" elections.

The flawed victory in July of Mr Carlos Salinas Gotari who assumes the presidency in three weeks' time and the PRI's greatly reduced majority in the Chamber of Deputies has made the party determined to achieve an emphatic triumph .The question posed by this election is how far the PRI is prepared to go to ensure such a win.

The PRI needs a convincing victory to dent the long-term ambitions of the broad left National Democratic Front (FDN) coalition led by Mr Cuauhtemoc Cardenas. Since July Mr Cardenas has been riding high on a wave of popular support, unprecedented for an opposition politician in Mexico.

The opposition campaign has, however, been seriously hampered hy the procedures imposed by the anthorities – in effect the ruling party – on its nominations for candidates and poll watchers.

The contest in this sultry tropical state took a grim turn on the night of October 30 when "special operations" units of the police used tear gas and clubs to disperse a crowd of 2,500 FDN demonstrators protesting against the alleged irregularities in one of Tabasco's small municipalities.

The Front has shown a great deal more cohesion than it did prior to last month's Vera Cruz municipal elections where 20 of the 270 results are still being contested. Mr Cardenas has thrown his charismatic personality behind the campaign of Mr Andres Lopez Obrador the Front's shrewd choice as gubernatorial candidate,

Mr Lopez Obrador is a young, attractive and idealistic defector from the PRI who was formerly the party's secretary in Tabasco and latterly head of the National Consumer Institute. He has extensive knowledge of and contacts in the state, not least amongst the Chontal Indian *campesinos* who remember his work as head of the National Indigenous Institute.

By contrast, Mr Salvador Neme Castillo, the PRI candidate, is a somewhat pedestrian old party stalwart. A friend of Mr Salinas's politician father, he was also the leader of the Senate. The opposition regards with cynicism the PRI claim that he was chosen from eight PRI candidates at grass roots level in an election which was "legitimate and irrefutably clean".

Cuauhtemoc Cardenas: fully behind opposition candidate

The PRI machine portrays Mr Neme as conscientiously contesting his constituency by covering 12,500 km of Tabascon soil and commnnicating directly with the state's citizens. Mr Neme has also had a virtual monopoly of tv, radio and press coverage.

For good measure the PRI has accused the FDN of anarchical tendencies and promoting confrontation under the pretext of democracy. There has even been an attempt to brand it as communist.

Mr Roberto Madrazo Pintado, who was drafted in as head of the party executive to beef up its campaign, said that a recent poll taken in the second half of October showed that the PRI would obtain nearly 75 per cent of the vote – the majority achieved in the general election, according to the official results.

For the FDN – fighting a campaign based mainly on democratisation of the electoral process, as it did in the general election – the major aggravation has been the impediments complicating its registration of candidates and, equally important, poll supervisors. It has complained of the PRI-controlled state electoral commission's "capricious and arbitrary" interpretation of the electoral code and its recent introduction of regulations not applied hitherto elsewhere in Mexico.

The front and the parties trying to co-ordinate under its aegis see this as a deliberate obstruction and a means of facilitating an outright political fraud. They claim that the commission has given the wrong party nomenclature to eleven out of the 17 opposition candidates standing for the office of mayor. This works in particular to the detriment of the Cardenista Front for National Reconstruction (PFCRN), the strongest party in the left wing alliance in the state of Tabasco.

The commission has complicated life for the FDN by insisting on teh different requirements being satisfied for registration of poll watchers including proof of two years residence in the voting district concerned.

Such conditione do not appear to have cansed any difficulties for the PRI with its well established structure and control of the electoral system. By contrast, problems encountered by the FDN in obtaining credentials have ceused great frustration.

In its strict interpretation of the electoral rule the PRI has apparently been acting within the technical limits of the law. Mr Madraso accused the FDN of total ignorance of the electoral law, lying about residential qualifications and resorting to tricks to confuse the electorate.

The situation is as muddied as the swamps of Tabasco and as hot as the sauce to which it has given its name. The only certainty is that the PRI still regards itself as the only true conduit of democracy in the country.

AMERICAN NEWS

Budget deficit warning for next President

By Anthony Harris in Washington

THE TASK of eliminating the US budget deficit raises a "simply unbelievable" range of problems, and the next President will be in a weak position to tackle them, Mr Reagan's successor was warned yesterday.

Mr Robert Strauss, co-chairman of the National Economic Commission, the body of distinguished citizens charged with producing a plan to balance the budget by 1993, told a conference in Washington yesterday that either candidate would be hampered by lack of a strong popular mandate to take the necessary action, and Vice-President Bush would be further "boxed in" by his campaign stance on taxation. Most people, he said, were convinced that higher revenues would be needed to reduce the deficit, especially in the first years of the new administration.

Mr Strauss told the meeting, sponsored by the American Stock Exchange, that the meetings so far had been "stormy", and conceded that it was unlikely that the Commission would report by December 11, the earliest date under its mandate.

However, the new President will appoint two additional members to the Commission, and Mr Strauss said he was confident that it would be able to hammer out an agreed plan by whatever date the President requested. The law establishing the Commission calls for a report by March 1 1989, but provides for a further delay of up to six months if the President requests it.

Mr Strauss, who has a formidable reputation as a Washington "insider", said he expected that a Bush administration would be staffed by political veterans rather than ideologues, and would be willing to co-operate with Congress; and he forecast that Mr Bush would "move dramatically" to establish an understanding with Democratic legislators, so that he would take the lead in addressing the problems.

However, Senator Bill Bradley (Dem, New Jersey) warned the conference that Congress might refuse to support Bush policies because of resentment about the election campaign.

Both Mr Strauss and Senator Bradley agreed that increased "sin taxes" on alcohol and tobacco, and a higher gasoline tax – strongly favoured by Mr Alan Greenspan, chairman of the Federal Reserve – were the likeliest sources of new revenues.

Shultz urges pragmatism over Soviet Union

SECRETARY of State Mr George Shultz said yesterday that whoever was elected president should be practical and engage the Soviet Union in solving problems when doing so is in the self-interest of the US, AP reports from Washington.

"We shouldn't be afraid to do it," Mr Shultz said in a speech to young political leaders from around the world. He praised the reform efforts of Soviet President Mikhail Gorbachev and said that, if Mr Gorbachev succeeded, "the Soviet Union will be a very different place."

Mr Gorbachev and his supporters "deserve credit for recognizing the problems and trying to solve them," Mr Shultz said.

As a result, he said, "the environment for democratic values, peace and freedom is probably healthier than it has been for some time."

Within the administration of President Ronald Reagan, Mr Shultz has played a leading role in promoting arms-control agreements with Moscow and seeking other ways to reduce tensions.

His speech, which had the earmarks of a valedictory, was aimed at presidential candidates Mr Michael Dukakis and Mr George Bush as well as foreign leaders. Mr Shultz said everyone should recognise the dangers of ballistic missiles and chemical weapons proliferation.

"When we see an opportunity for problem-solving, when there is an opportunity to do something that they (the Soviets) want to do and that we think it is in our interest, in the interest of friends around the world, we shouldn't be afraid to do it. In other words, engage," Mr Shultz said.

He said whether Bush or Dukakis won the presidency, the US should be vigilant in dealing with the Soviet Union. "We're going to be realistic but, at the same time, pragmatic," he said.

On a related subject, Mr Shultz said he was confident the Soviets would complete their withdrawal of troops from Afghanistan despite an announcement last week that the pullout had been suspended.

Presidential poll in the shade in California

FORGET THE presidential race - in California, the real passions and the big money have been devoted to influencing voters' decisions on insurance rates, offshore oil drilling and higher taxes on tobacco, Our US Staff report.

More than $130m has been spent on campaigns for and against 29 state-wide propositions plus half-a-dozen local measures which appeared on the ballot paper alongside the presidential and other candidates. For comparison this total is more than the presidential candidates are receiving in federal subsidies and two to three times as much as was spent by all parties in last year's British general election.

This expenditure has been translated into a barrage of television adverts which have overshadowed those for the candidates.

California voters were faced with five alternative proposals on car insurance which could have a far-reaching impact on the profitability of the business in one of the world's largest insurance markets. This follows the failure of the state legislature to agree proposals to deal with a 40 per cent increase in rates in the past three years.

Around $80m has been spent on the insurance campaign. This has been mainly by the industry itself supporting proposals for a no-fault system, for cutting contingency fees of lawyers representing victims and for prohibiting rate regulation.

The insurance industry has been concerned to defeat Proposition 103 which is backed by Mr Ralph Nader, the consumer advocate. This would require a 20 per cent cut in rates and a freeze for a year on all car, home owner and business rates, plus regulation via an elected insurance commissioner and a cancellation of the exemption from anti-trust laws.

The campaign for Proposition 103 has raised little money but has the largest support according to the most recent opinion polls, in spite of the insurance industry's adverts. Consumer advocates draw a parallel with the taxpayers' revolt which led to the passage of the property tax-cutting Proposition 13 in 1978.

A possible result could be stalemate between the five proposals with a decision going to the courts or back to the legislature.

There has also been furious controversy over two rival proposals on oil drilling along the coastline at Pacific Palisades with Occidental Petroleum set against environmentalists and Hollywood stars. Some of the latter's adverts feature safety warnings about the explosion on the Occidental-run Piper Alpha North Sea oil rig which killed 166 people last summer.

Dixville Notch goes for George Bush

If Dixville Notch, New Hampshire had it right yesterday, Vice President George Bush was in for a landslide victory. The small New England town, population 47, traditionally the first to vote in the nation, opened its poll at one second past midnight and closed it again 110 seconds later after all eligible votes had been cast.

Mr Bush was the winner by far - garnering 34 votes to 3 for Governor Michael Dukakis. The poll did, however, demonstrate a pickup of support for the governor, who got no votes at all in the Democratic primary.

Dixville Notch has been the first town to vote since 1960. In that year it got it wrong. Richard Nixon swept the town with nine votes. John Fitzgerald Kennedy got none, but was the winner.

McCarthy tries to break the system

Although few Americans were aware of it, yesterday's presidential election featured one relic from two decades ago - Senator Eugene McCarthy, whose opposition run for the Democratic nomination in 1968 drove President Lyndon Johnson from the race.

Mr McCarthy, the whimsical poet/Senator, was on the presidential ballot in four states. His object, he said, was to prove the difficulty of establishing a third party in the US and to demonstrate the weakness in the "winner-take-all" provisions of the electoral college.

Spectacular Last Hurrah for cherished institution

NO HOLLYWOOD designer could have created a more fitting or spectacular set for President Reagan's final day on the campaign trail than in front of the Queen Mary's permanent dock at Long Beach in Southern California, Peter Riddell reports.

Both the President and the great ship are much loved institutions which had their first prime in the 1940s. It was the perfect scene for Mr Reagan's Last Hurrah, his return to his home and political roots in southern California. After 30 minutes of drizzle the sun even broke out, to cheers, as he started speaking.

To complete the picture the President even had a personal link with the liner towering above him. He remembered a trip 40 years ago – "in the days when we all travelled that way – Christopher Columbus, Ferdinand Magellan".

After making a film in Britain called The Hasty Heart he was coming back to the US. "And one foggy morning, I got up early, and there, from the deck of this ship, looking through the mist, I saw for the first time the Statue of Liberty. And she was such a beautiful sight, how could I not say 'God Bless America.'

"Seeing all of you and seeing the Queen Mary again, it's like closing a circle, like sailing into the harbour after a long and wonderful voyage to be greeted by old, beloved friends."

It was vintage Reagan, delivered with all his charm in that rich baritone. There were the familiar heart-rending homespun stories – loved by the adoring crowd which, at times, shouted "eight more years" and sighed when he said his campaign days were over.

One Reagan story about staying at an English pub and being told of the kindness of American troops from "Iowary" during the War was embarrassing when delivered in his Guildhall address in London last June, but wowed them in Long Beach.

Beneath the folksiness, there was the familiar Reagan punch – repeating the most extreme charges against Governor Michael Dukakis and making extravagant claims about his own record and about Vice President George Bush.

The President's visit to California was at the specific request of Mr Bush because of the closeness of the race in that state. In the past two months Mr Reagan has covered 25,000 miles with 30 appearances.

Yet it was primarily a nostalgic event at Long Beach, a chance to say thank you.

The President could not resist a final, almost cheerful appeal – describing polling day as "the final game of the world series, it's the Olympics, it's the Superbowl, all rolled into one – I hope you'll win just one more for the Gipper". It was time for the credits to roll.

'No surrender' Bentsen fights on to the last

By Roderick Oram in Austin, Texas

BY THE time Mr Lloyd Bentsen stepped out of his campaign plane to address his last rally early yesterday, the first voters had already cast their ballots up in New Hampshire, decisively choosing his Republican rivals.

He and the crowd at Austin airport could not have cared less. He had come home to the Texas capital for a grand election celebration with Democrats gathered from all over the state. "We're going to win this one and win it big," he proclaimed, to roars of support from the welcoming throng.

Candidate, party workers and voters were untroubled by the early hour, the prospect of a long day ahead getting out the vote, and opinion polls forecasting a Republican victory. Their minds and energy were clearly on the national race but if the Dukakis-Bentsen national ticket failed, there would still be plenty of Texan victories for the Democrats to celebrate late last night.

Most important was Mr Bentsen's certain re-election to the Senate where he would continue to wield great power as chairman of its finance committee. Though underdog to the end for the Vice Presidency despite effective and unceasing campaigning in recent weeks, polls showed him leading his Senate opponent, Mr Beau Boulter, by nearly 30 points.

So great was his lead, Mr Bentsen hardly campaigned for the Senate, which was just as well since election funding laws required a strict separation of the two races. He could not for example slip in a quick plug for the Senate in the middle of a swingeing attack on Mr Dan Quayle. The highly unusual provision for seeking two national offices at once was a hold-over from the days of Texas good-ol'-boy politics. The law had been changed to give Mr Lyndon Johnson something to fall back on should he have failed to become Kennedy's Vice President.

In the event, the Kennedy-Johnson ticket squeaked in by less than 0.2 per cent of the popular vote, or as Dukakis and Bentsen kept reminding voters in the closing days of their campaign, only one vote per precinct across the country. Trying to repeat the 1960 come-from-behind victory, Mr Bentsen and Mr Dukakis had thrown themselves into a frenzy of campaigning. They roared around the country from rally to rally trying to drum up support.

Mr Bentsen's last day of campaigning took him to eight cities in four southern states over 18 hours. Though he stuck with the same mix of rousing populist sentiments and humour that has worked well with the crowds, he tried to the last to make his pitch as fresh as possible. Co-opting Bruce Springsteen's music for his final fling of meetings, the tall, courtly Texan treated the crowds to his idea of a little boogeying as he mouthed the words written by the blue collar king of rock and roll: "We made a promise. We swore we'd never forget. No retreat, baby, no surrender."

UK NEWS

Scots cry foul in the corporate takeover game

James Buxton looks at the powerful lobby against Elders' bid for Scottish and Newcastle Breweries

For the past few weeks a steady stream of Scottish organisations have been sending thoughtful submissions to Sir Gordon Borrie, director general of fair trading, urging him to refer Elders IXL's bid for Scottish and Newcastle Breweries to the Monopolies and Mergers Commission.

Scottish businessmen and politicians have directly lobbied Lord Young, Trade and Industry Secretary, the man who will ultimately decide the issue. Although most have tailored their arguments to emphasise the threat that a successful takeover could pose to competition in the UK – which Lord Young says is his main criterion for referrals – the point they really wish to underline is the effect of the takeover on Scotland.

The near unanimity of Scottish views of the takeover – articulated by organisations such as the official Scottish Development Agency, Scottish Financial Enterprise (which represents the financial community) and the Scottish Council Development and Industry (speaking for economic interests) – is a sign of deep anxiety that the Scottish economy has suffered too much from takeovers of indigenous companies.

The Australian bid for S & N, threatening Scotland's largest manufacturing company, is seen as a potential last straw.

Over the past 20 years several dozen Scottish-based companies have disappeared through takeover, some of them deserving to do so. But the stream became a flood in 1985 and 1986 when a number of healthy companies such as Distillers, Arthur Bell and House of Fraser were taken over. Since the beginning of 1985, it has been calculated, Scotland lost control of 53 per cent of the capital employed in Scottish publicly quoted companies outside the oil, finance and property sectors. If Elders' bid for S & N goes through the figure will go up to 67 per cent.

But does it really matter? Isn't the process of industrial concentration in which they are participating in the long-term advantage of the United Kingdom, and thus of Scotland? People in Scotland do not see it like that.

First one needs to define a Scottish company. It is not necessarily a company whose shares are mostly held by Scottish institutions and investors – very few such companies exist, and S & N would certainly not qualify. Rather it is a company whose headquarters and centre of decision-making are located in Scotland. When control passes to another company, it is argued, the regional economy suffers.

The loss can be difficult to quantify. In the case of Coats Paton, the Glasgow textile company taken over by Vantona Viyella in 1986, the Scottish manufacturing operations of Coats are intact. But the Glasgow headquarters of Coats Paton is a shadow of what it once was: top-level decision-making has gone to Manchester, leaving only a small number of functions in Glasgow.

Mr Dennis Henry, a Glasgow management consultant who has closely studied the subject, points out: "Takeovers cause a loss of top quality jobs. Managing directors, finance directors and company secretaries go. I would agree with Arthur Scargill (the miners' leader), for once, in arguing that good job opportunities for their children and grandchildren go with them."

The takeovers affect the businesses which serviced these headquarters. For accountancy firms, auditing a subsidiary creates much less work and less valuable work than producing the consolidated accounts of a group head office. The company's banking business may be switched away from locally based banks; fewer highly qualified lawyers may be needed; insurance brokers and travel agents may get lessbusiness; the public relations account may be switched to London; regional printers may no longer handle the annual report.

The result, Scots – and people in other regions – argue, is a weakened business community. Many of the most able people may emigrate to the south-east of England, making the region less able to generate strong new businesses in the future.

But generalisation can be risky. When Lonrho in 1979 acquired Scottish and Universal Investments (SUITs) it gave an assurance that it would maintain control of the business in Scotland. That was kept for a time. But in 1986 SUITs' Glasgow headquarters was drastically slimmed down, and SUITs is now little more than a shell company – though its subsidiaries are flourishing in Scotland.

SUITs once had a large stake in House of Fraser, the stores group. After House of Fraser was acquired by the Al Fayeds in 1985 it moved its headquarters from Glasgow to London.

On the other hand Anderson Strathclyde, the mining equipment manufacturer which was taken over by Charter Consolidated in 1983 after a takeover battle in which the Monopolies Commission was involved, still functions much as it did before, under the same chief executive, Mr Ian Little. Though strategic decisions are taken outside the Glasgow headquarters, Mr James Mowat, managing director, saysthat "there have not been many major differences in the way the company has developed under Charter Consolidated" compared with what would have happened had it remained independent. As it is still a public company it still requires many of the same outside services as before.

Similarly the takeover by BP earlier this year of Glasgow-based Britoil is already confounding those who forecast doom for Scotland. Though it is no longer an independent company, its Glasgow operations may end up larger than they ever were before, thanks to BP's decision to transfer 400-500 senior staff to the city.

When National Australia Bank last year acquired the Clydesdale Bank from the Midland, the Glasgow-based bank, which had languished too long under the restrictive grip of the London institution was delighted and is set to expand.

Scots, however, are still traumatised by the Distillers affair. First Scottish institutions allowed the centre of decision-making in Distillers to drift south of the border and let it perform poorly for too long. When Mr James Gulliver's Argyll tried to take it over, promising that he would move his headquarters to Edinburgh, some leading Scots instead backed the rival bidder Guinness.

Because of that experience Elders' promise to move its brewing headquarters to Edinburgh is viewed with scepticism, and the Scottish lobby appears to be trying harder to stay united this time.

Scots lobbyists believe that under Elders' control S & N would be diminished in standing, its non-brewing subsidiaries sold off and ultimate control transferred from Edinburgh to Melbourne. They insist that they do not wish to see a ring fence round Scotland, putting major Scottish companies out of bounds to any predator; that, it is recognised, would be a recipe for stagnation, as well as threatening Scottish companies' ability to seek acquisitions outside Scotland (S & N is itself a well known predator south of the border).

Critics of the Scots might argue that a more robust regional economy should be able to generate new companies to take the place of those that have been swallowed up. That process is happening to some extent, but in a highly centralised economy where the market rules and the government shows little interest in regional policy, the odds are stacked against them. That is why Scots want the Monopolies Commission to arbitrate.

Britain sets the pace for European mobile telephone network

By Terry Dodsworth and Hugo Dixon

THE DEVELOPMENT of a European mobile cordless telephone service based upon standards established in the UK was forecast yesterday by representatives of some of the region's leading telecommunications companies.

Speaking at a Financial Times conference on mobile communications in London, executives from British Telecom, the West German Bundespost and Matra Communications, the French equipment manufacturer, all suggested that the European telecommunications indnstry was now swinging behind the standards established in the UK.

Mobile cordless technology has attracted widespread attention throughout Europe as a cheap alternativs to cellular car telephones. Under ths cordless system, subscribers will be able to use small portable telephones at strategically located "telepoints", where special receivers will be able to pick up radio waves from tha handsets and link calls into the wired public network.

"If we make a success of ths UK system it will become the *de facto* European standard," said Mr John Carrington, director of British Telecom Mobile Communications, which has applied to the UK Government to run one of the planned telepoint networks.

The standards being adopted in the UK are widely seen as conflicting with an alternative system developed by Philips and Ericsson, which has received considerable support by the European Commission. But several delegates at yesterday's conference indicated that it now looked as though the UK standard would win the battle.

Mr Maurice Remy, chairman of Matra Communications, said that France was in step with the developments in the UK and that he expected co-operative projects to follow the launch of equipment conforming to the new British standards.

Mr Armin Silberhorn, head of the Bundespost's mobile communications division, also made it clear that he wanted to see a swift adoption of the system in West Germany, although this would require the release of radio frequencies currently controlled by Nato.

According to Mr Carrington, BT is aiming to introduce a service which will be widely available throughout the country if it is granted a licence. Monthly subscriptions, he said, were expected to be around £7 to £8.

Mr Silberhorn went on to emphasise the rapid introduction of competition into mobile services in West Germany. Under proposals being put forward by the Federal Government, competition would be allowed in the field of digital cellular communications, paging services, radio telephones, and telepoint cordless systems.

Turning to other aspects of mobile services, Mr Olof Lundberg, director-general of the International Maritime Satellite Organisation (Inmarsat), said that satellites would never be able to compete with terrestrial cellular mobile telephone technology.

In a speech which debunked many of the myths that have grown up about the versatility of satellite-based communications systems, Mr Lundberg declared: "Space has been oversold. Satellites have a very limited role to play in areas such as Japan, Europe and the US."

FT CONFERENCE

WORLD MOBILE COMMUNICATIONS

Cellular telephones would not be a viable alternative to ordinary fixed-wire telephones before the year 2000, Mr Gerry Whent, chief executivs of Racal Telecom, the UK mobile communications group, said. The prospects for Ermes, a pan-Enropean paging system which is planned to come into service in 1992, were questioned by Mr Garry Garrard of the PA Consulting Group. He said Ermes was likely to "add to complexity and consequently cost more" than the existing paging standard known as Pocsag, which is already being adopted across the continent.

Mr Garrard said that the main advantage of Ermes was that it would allow people to be paged anywhere in Europe.

Mr Andrew Robb, managing director of Band Three Radio, one of the UK's two national private mobile radio operators, urged the rest of Europe to adopt the British standard for private mobile radio. Private mobile radio is used principally by businesses – such as distribution companies and taxi firms – which have fleets of cars or vans they need to communicate with.

Mr Robb said that this market had been revitalised in the UK since last year with the development of a competitive structure for the industry and the use of the radio spectrum more efficiently via "trunking" technology. The rest of Europe was now going the same way, he said, and it was important that the same standard was used.

This would allow manufacturers to aim their products at a larger market, so bringing down their prices.

Mr Ian McKenzie, managing director of Philips Radio Communication Systems, outlined the prospects for the evolution of the current range of mobile services into a single system in which subscribers would be able to use one handset for voice, data and paging traffic.

UK NEWS

Britain buys more Tornadoes for RAF

By Michael Donne

The UK Ministry of Defence is to buy another 41 Tornado multi-role combat aircraft for the RAF.

The order is worth about £740m and was announced by Mr Timothy Sainsbury, Minister for Defence Procurement, in the House of Commons yesterday.

The aircraft will include 26 of the basic GR-1 strike aircraft and 15 of the longer-range F-3 ADV (Air Defence Variant).

The purchase is what is called an "attrition buy", that is the procurement of more aircraft to replace those lost either in service or training since the Tornado was introduced in the 1970s with the RAF.

The aircraft is built by Panavia, the European consortium comprising British Aerospace and Messerschmitt-Bölkow-Blohm of West Germany (each with 42.5 per cent) and Aeritalia of Italy (15 per cent).

Rolls-Royce will also share in the deal through its role in production of the Turbo-Union RB-199 engine.

Involved with Rolls-Royce are Motoren-und Turbinen-Union of West Germany and Fiat Aviazione of Italy.

Each country builds parts for all Tornado aircraft (the UK builds the front and rear fuselages).

There are three assembly lines, one each in the UK (at Warton, Lancashire), West Germany and Italy.

The original order for the RAF covered 229 GR-1s and 165 ADVs. The new contract brings total firm orders for the Tornado to date to 974 aircraft, of which 80 have been for export including 72 for Saudi Arabia and eight for Oman. Jordan has also expressed an interest in buying the Tornado. Further Tornado orders now contemplated include another 16 basic strike aircraft for the Italian Air Force for electronic counter-measures and reconnaissance roles and another 35 for West Germany to replace the Alpha Jet.

CBI seeks lower trigger point to activate bids

By Hazel Duffy

THE TRIGGER point at which predator companies should be required to make a full bid for their target should be reduced, possibly to 15 per cent, Mr John Banham, director general of the Confederation of British Industry, said yesterday.

It was one of six proposals put forward in his speech at the close of the CBI conference at Torquay aimed at slowing down and making the process of takeovers more open. They comprise the key response by the employers' body to improve relations between the City of London and industry which a recent survey commissioned by the CBI showed had slightly worsened since the report last year of the top-level task force on the two sectors.

Mr Banham indicated at a press conference after delivering his speech that the initiative was not being taken by the CBI alone. "The Governor of the Bank of England raised the issues with us," adding that the Governor had expressed concern about the possibility of takeover bids for financial companies at a recent meeting of the National Economic Development Council.

Mr Banham gave a warning: "By 1992, if things go on as now, we are bound to end up with some cash-rich institutions with few British-based companies to invest in." This would would hinder Britain's competitive advantage.

The proposals did not concern the Government. "They are a matter for self-regulation," he said. He will ask the CBI committee on companies to examine them and make its recommendations to the CBI Council.

In addition to the trigger point, they are:

- Every bidder should be required to issue a detailed prospectus, spelling out its plans for the development of the company it seeks to buy. If there would be a regional impact, the benefit to that region should be spelled out.
- Companies should be able to postpone voting rights in shares acquired during a bid
- At least two thirds of registered shareholders should be required to vote at an extraordinary general meeting to accept an offer for their company.
- Companies should be able to offer a gold share to their pension funds – as an alternative to going private or arranging a management buyout.
- Once a bid had failed, the predator should be required to divest itself of sufficient shares to bring its holding below the bid threshold; no further bid should be possible for three years.

David Lascelles writes: The Bank of England was seeking to play down its involvement in the CBI debate over takeovers last night. Although the Governor has discussed the matter with top CBI people, it is not putting its weight behind moves to get the rules changed.

One point where there is a meeting of minds between the CBI and the Bank – though possibly for different reasons – is over the reduction of the trigger point

The Bank believes that the mechanics of the takeover rules often tilt the balance in favour of predator companies, and it has questioned whether a reduction in the trigger point might not help redress it. But the Bank stresses that its concern is with technicalities, not the protection of British industry from takeover.

Apart from the banking industry, where it has a statutory obligation to approve changes of control, the Bank has no power other than its moral authority to prevent the acquisition of UK companies.

Scots cry foul, Page 10; Editorial Comment, Page 22; the Elliott stage, Page 25

Lords rally to save dental and eye charges

By Philip Stephens

The Government yesterday finally pushed through its planned charges for eye and dental tests, as a rebellion against the fees in the House of Lords was overturned in the face of a large turnout by Conservative peers.

The charges, which last week were passed only narrowly by the House of Commons after the biggest revolt of the present Parliament by Conservative MPs, will now be introduced over coming months.

Two amendments on the sight test charges – one to scrap them entirely and another to exempt everyone over retirement age – were defeated

The overall turnout of 464 for the vote on the eye tests was slightly below that for the debate on the new community charge, or poll tax, earlier this year, but was nonetheless one of the highest this century.

Initially, the charges are expected to amount to amount £10 for eye tests and £3.15 for dental checks. Mr Kenneth Clarke, Health Secretary, said yesterday that those for sight tests could be in place by the end of the year.

Ombudsman set to investigate Clowes

By Clive Wolman

The licensing of the collapsed investment group Barlow Clowes by the UK Department of Trade and Industry is to be investigated by the Parliamentary Ombudsman Sir Anthony Barrowclough.

The investigation, if it finds evidence of maladministration, could lead to by far the largest ever compensation payments by the Government since the Ombudsman's office was set up 21 years ago. The 18,000 investors who put more than £150m into Barlow Clowes funds in the UK and Gibraltar are expected to suffer losses of £50m or more following the collapse of the funds in May.

The proportion of cases in which the Ombudsman finds evidence of maladministration, once he has decided to launch an investigation following up complaints submitted to him by MPs, is extremely high. In 1985, the proportion was 93 per cent, in 1986, maladministration was found in 166 of the 168 cases.

According to Mr Antony Gold, of Manchester solicitors Alexander Tatham, which is acting for many of the investors: "This is the best news that we have received since May. The odds are very good that he will find against the government and that in itself will increase the pressure for a political solution."

Sir Anthony said last night that he would be investigating the DTI's handling of both the UK fund, which it licensed in 1985 and re-licensed in the subsequent two years, and the offshore fund, which it believed was outside its jurisdiction. He said that he would be writing immediately to the MPs who had passed on complaints from Barlow Clowes investors and would be asking the DTI for its comments on the details of the complaints.

"I shall be pressing ahead with the investigation as soon as the comments are at hand," he said.

Before yesterday's announcement, there were growing doubts as to whether Sir Anthony would find in a report of the issue sufficient grounds to launch an investigation. In 1986, he rejected 549 of the 719 cases received by his department as being outside his jurisdiction.

If maladministration is found, his department is then likely to review each case individually.

The largest pay-out previously ordered by the Ombudsman was in 1978-79 to 100,000 people who had overpaid their car licence fees. But the amount of compensation was less than £2m.

Bank sets up money clearing system

By David Lascelles, Banking Editor

THE BANK of England has decided to step into the breach created by the recent collapse of LondonClear and set up its own transfer system for the UK money markets.

The Bank yesterday announced the launch of the Central Moneymarkets Office which will act as a computerised book-entry transfer system for the markets, replacing the present system based on paper and messenger delivery.

The Bank believes the CMO is a much-needed service for the London market if it is to hold its place as a major international financial centre. Most other centres have gone over to electronic transfers.

LondonClear was a private sector initiative backed by 36 banks. By the middle of this year it had completed its feasibility studies and was preparing to begin development when it was killed off by its members because of soaring costs. The project's failure was a major embarrassment to the City of London.

Several other institutions considered other schemes of their own.

Spicer & Pegler

IN the Financial Times of October 26, we reported that Spicer and Pegler had been instructed to audit the Gibraltar-based client funds managed by Barlow Clowes and had failed to do so.

Spicers have stated that no such instructions were given either in relation to Gibraltar-based client funds or in relation to any other offshore client funds. Spicers have also pointed out that no client funds were under the management of the Gibraltar company Barlow Clowes International during the period covered by the only accounts audited by the Gibraltar firm of Spicer and Pegler.

Car registrations head for record 2.2m in year

By Kevin Done, Motor Industry Correspondent

UK NEW car registrations for 1988 yesterday exceeded 2m units and are on track to reach a record 2.2m units for the year.

Last year was the first time that new car sales totalled more than 2m units in the UK (at 2.018m units), but the prolonged four-year upward trend in new car registrations has continued this year with a further jump of 10.86 per cent in the first 10 months.

Record monthly sales have been achieved in six months of the year, January to March and August to October. After Spain the UK has been the fastest growing volume car market in West Europe this year and is now the second largest car market in Europe after West Germany.

UK NEWS

Problems of longer life come of age

Alan Pike examines the long-term implications of a rapidly ageing population

THE UK Government has given the impression of mixing determination with desperation as it tries to defuse suggestions that it is considering testing the financial means of the elderly before paying them benefits.

Mr Nigel Lawson, the UK Chancellor of the Exchequer, described newspaper reports arising from a briefing which he had given as "half-baked and irresponsible" – a phrase which neatly sums up the view of his political opponents towards what they believe is a hidden Government agenda to reshape the welfare state, replacing the surviving universal benefits with "means tested" ones.

Whatever the outcome of the immediate row, Mr Lawson has opened a debate on one of the major social issues of the late 20th century which is not going to fade away.

The proportion of elderly people in the populations of Britain and other developed countries is increasing dramatically. This will have equally dramatic implications for policies not only towards pensions and similar benefits but on health and social security, where old people consume resources far in excess of the national average.

In Britain, public discussion about these demographic changes has so far tended to concentrate on the other end of the question – the likely shortages of young people in the labour force. Last weekend Mr Lawson, although apparently not in terms of his own choosing, promoted the elderly into the great political issue which they are going to become.

Between the beginning of the century and 1981 the number of people aged 65 and over in Britain grew from 1.7m to nearly 8m – a rise from 5 per cent to 15 per cent of the total population. Between 1981 and 2025 this proportion is expected to increase again to 19 per cent.

Even more striking is the increase in the very elderly population. Between 1981 and 2001 the numbers of people aged 75 and above will grow by 42 per cent and represent approaching half of all elderly people. Those aged 85-plus will double, comprising 13 per cent of the total elderly population by the end of the century.

Long-term changes in the State Earnings Related Pension Scheme (Serps) under the 1986 Social Security Act and the Government's enthusiasm for private pensions are seen by opponents as the first signals of an eventual move away from universal public provision for this growing pensioner population.

In this climate, apparent hints like the weekend reports that Mr Lawson might favour excluding better off pensioners from the £10 annual Christmas bonus or free prescription charges are seized upon as proof of still worse things to come.

Mr Lawson and Mr John Moore, Social Services Secretary, denied yesterday that they have plans to take away any existing benefits. But Mr Moore also pointed out that Britain already has a means-tested benefits system, and said the question to consider was how to give extra help to those needing more support.

There are currently some 10m pensioners in Britain – 18 per cent of the population – and they typically rely on social security benefits for up to half their income.

Growing older, as the charity Help the Aged points out this month in a new briefing paper, is not necessary synonymous with growing poorer. "This is a welcome change. But it must not be allowed to gloss over the inescapable fact that the majority of our elderly people are still poor," it says.

The actual standard of living of pensioners obviously varies greatly, as with the rest of the population. People who have retired recently on occupational pensions, particularly if they have benefited from selling property and moving somewhere cheaper, can be living very comfortably.

But there are also some 3m pensioners living around or below the margins of poverty. On the basis of the latest available figures for 1985, Help the Aged says that 1.9m pensioners – mainly single people – were receiving supplementary benefit while a further 1m qualified for benefit but did not receive it.

One of the prime criticisms of non-universal benefits is that many people who qualify for them do not apply. This can prove a particular problem with old people, who are often reluctant to ask for anything which smacks of charity rather than comes as a right.

Women pensioners, whose working lives are less likely to have produced high incomes and good occupational pensions, are particularly likely to suffer from problems of poverty.

The links between retirement, ill health and poverty are drawn today in a report by the King's Fund health research organisation. This shows that the decline in income after retirement is greater in Britain than the US, Germany, Norway, Sweden or Canada.

The report also demonstrates that, while the UK's life expectancy has improved, it has done less well than many other countries. A man aged 65 can expect to live another 12.6 years in Scotland, 12.7 in Northern Ireland and 13.3 years in England and Wales. This compares with 16.1 years in Japan, at the top of the league. The UK's position is not only worse than the US and most of Europe – Cuba, Argentina and Uruguay have higher positions on the league table.

An active approach to the alleviation of poverty, says the report, is crucial to improving mortality rates and promoting health care among elderly people.

Government to shelve plans for more small private coal mines

By Maurice Samuelson

THE GOVERNMENT has dropped the idea of expanding Britain's small private coal mining sector in advance of the full-scale privatisation of the industry as a whole.

It has also ruled out plans to transfer the nation's untapped coal reserves to the ownership of the Crown before putting the British Coal Corporation on sale to the public.

Both steps would have required controversial primary legislation in advance of the main reforms which the Government has signalled it intends to introdnce shortly after the next election.

The avoidance of any action in the present parliament will disappoint small private opencast and underground licencees who had been hoping since the election of Mrs Margaret Thatcher, the UK Prime Minister, for an early relaxation of the present tight limitations on the scope of their operations.

This is now being postponed to a fourth Conservative administration and over the next four years the Government will concentrate on deciding how the Corporation should be sold off.

Mr Cecil Parkinson, Energy Secretary, said that a management buy out was "one of the very interesting possibilities and it isn't ruled out". In an earlier parliamentary answer he turned down the idea of legislation to change the licensing regime for private opencast mining. The need for that, he said, had been overtaken by the plans to privatise the whole coal industry after the next election.

Lloyd's to consider proposals for electronic trading

BY NICK BUNKER

ELECTRONIC trading of insurance risks at Lloyd's, the London insurance market, could begin as soon as October next year, if the market's ruling council accepts proposals from a group of six Lloyd's underwriting agents and C.T. Bowring, the insurance broker.

A paper outlining a scheme for screen-based transfer of data on individual risks is due to be considered by the council next month. This follows the development of a prototype system by Bowring and one of the agents involved, D.P. Mann.

It represents a potentially dramatic departure for Lloyd's because electronic placing of risks with underwriters could dispense with at least some of the face-to-face contact which dominates transactions in the market's underwriting Room in Lime Street, in the City of London.

In the last few weeks D.P. Mann has demonstrated the system, called C-DEX (Contract Data Exchange), to more than 200 individual Lloyd's brokers and underwriters, in an attempt to stimulate debate.

Mr Robert Mackenzie, a D.P. Mann director, said the reaction had been "extremely positive," in spite of the political sensitivity snrrounding screen-based trading because of the threat to face-to-face business practices.

Hitherto, the authorities at Lloyd's have concentrated on promoting back office uses of information technology, to speed up claims services and flows of money, rather than on automation of the "front-office" trading relationship between brokers and underwriters.

C-DEX would give Lloyd's syndicates direct access via desk-top personal computers to the brokers' electronic databases, with the London Insurance Market Network (Limnet) as a switching system to link the two together, Mr Mackenzie said.

Limnet is an electronic data interchange system launched last year by Lloyd's, London insurance brokers and insurance companies.

C-DEX enables an underwriter to examine electronically the brokers' detailed files on risks which the broker is planning to place in the Lloyd's market. The underwriter then has access to an electronic version of the "slip", the traditional paper document which forms the basis of the market's insurance contracts.

In transactions involving large and complex insurance risks, C-DEX could be used to "pre-advise" underwriters with information, before meeting the broker for negotiations. But, said Mr Mackenzie, there could be total electronic handling of simpler, routine transactions.

Ericsson wins £40m order to supply Racal

By Sara Webb

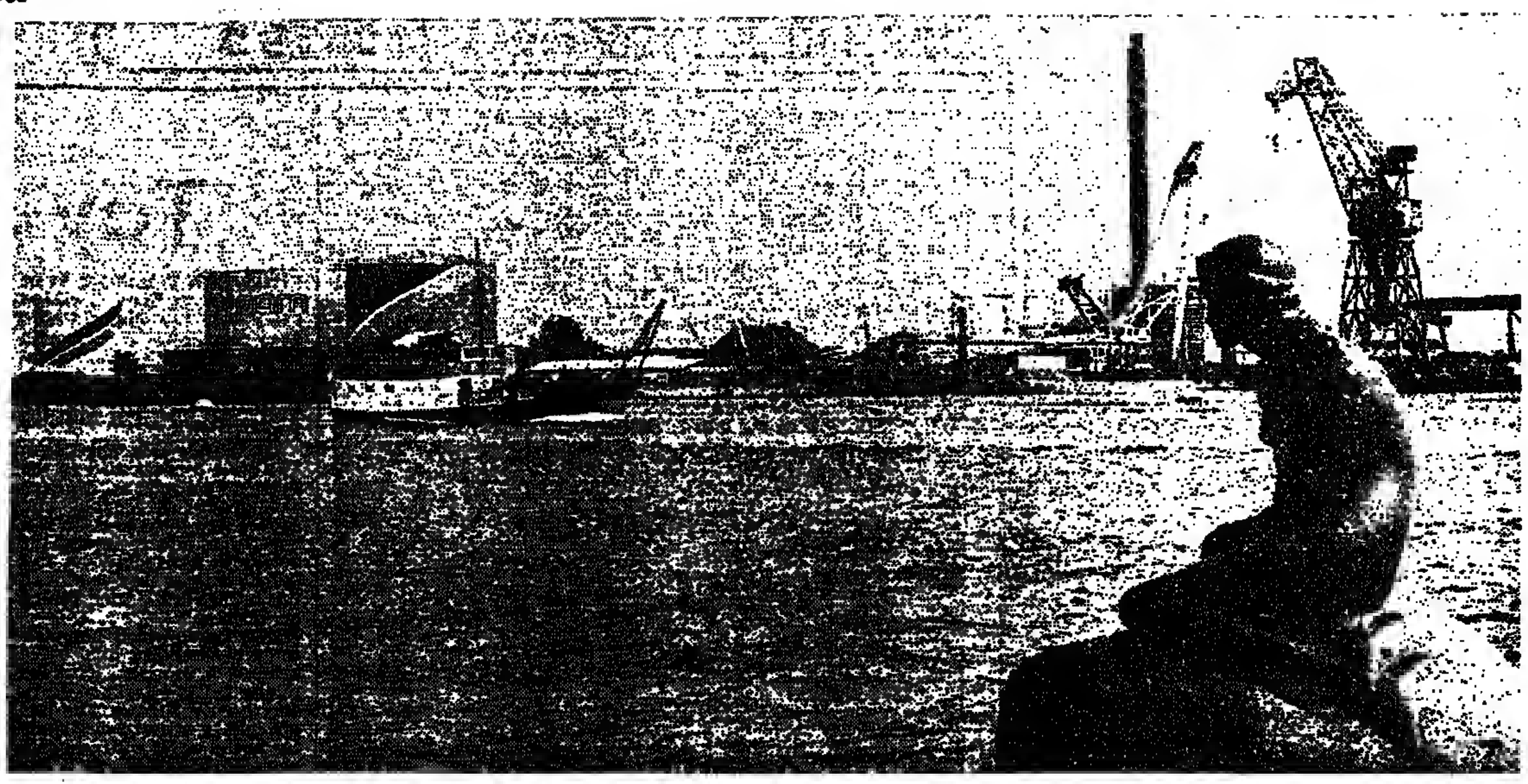
ERICSSON, the Swedish telecommunications group, has won a £40m order from Racal Telecom of the UK for a total of 17 AXE exchanges.

The exchanges will be used to expand Racal's Vodafone cellular radio telephone network in the UK. Ericsson is snpplying 12 AXE exchanges as mobile switching centres, four for a new transit network, as well a training exchange.

Ericsson has already received orders to supply the expanding Vodafone network with AXE mobile telephone exchanges and won a £13m order from Racal to supply three AXE mobile telephone exchanges last February.

FINANCIAL TIMES
SURVEY

Denmark must expand its industrial sector to staunch a growing foreign debt. Its ministers realise that home-grown "industrial locomotives" are needed as progress is made towards the European Community's internal market. A survey by **Hilary Barnes**



A mermaid gazes at an oil terminal. A view of Copenhagen Harbour by Alan Harper, who took the photographs for this survey

Danish Industry
AND EXPORTS

Small means flexible

WHEN IT comes to discussing the problems of their economy. Danes quickly slump into despondent tones – which makes it odd that their country has over the 1980s been among tha best performers in the industrialised world.

Denmark's manufacturing output increased in volume terms by 28 per cent between 1980 and 1987. Exports of manufactures, also by volume, increased by 29 per cent.

The hitch is that, because the country has built up an enormous net foreign debt – which at about DKr270bn (£22bn) is some 40 per cent of GDP – it needs not just a good industrial growth performance, but a superlative one.

"We have the highest per capita exports in the OECD, but we have the smallest industrial sector, the biggest public sector and the biggest foreign debt," says Mr Ove Munch, managing director of the Federation of Danish Industries.

Value added in manufacturing accounts for about 17 per cent of the Danish GDP, compared with an average of 24 per cent in the OECD and 32 per cent in West Germany. Private and public services account for 71 per cent of GDP, compared with an OECD average of 62 per cent.

The smallness of the manufacturing sector is especially worrying because agriculture, the former backbone of Denmark's export business – which still accounts for about a quarter of total merchandise exports – is so beset by global trade policy problems that it is unlikely to be a major growth sector in the foreseeable future.

Everyone – government, opposition, trade unions and business – is now well aware that if the country is not to slide slowly into the debt trap, rapid expansion of industry and exports is necessary.

But converting the general awareness of the problem into practical action is another matter, as 25 years of continnous deficit on the current external account testify. Politically, it has proved easier to permit the public sector to mushroom than to provide the conditions for sufficient industrial and export growth to support the growing costs of an ambitious welfare state.

The approach of 1992 and the completion of the European Community's internal market add a further dimension to the challenge which faces Denmark.

Yet for manufacturers in a small country, the removal of trade barriers may bring greater benefits than it does to companies in large countries.

This is illustrated by tha case of Bang & Olufsen, the manufacturer of up-market television sets and audio equipment. Its television sets have to meet a wide variety of different standards in almost every European market. That is a much greater obstacle for a manufacturer with a home market of 5m than for one with a home market of 50m, says the company.

Denmark itself is among the countries with fewest barriers to trade, says Mr Munch, so that industry has nothing to fear on this score. He adds that since there has never been enough money to afford industry subsidies (shipbuilding is an exception), "we have no white elephants. Our chimneys don't billow with government money."

The country's high levels of indirect taxes (a 22 per cent uniform VAT rate together with high excise and purchase taxes on a wide variety of goods) and high domestic costs are two of the main worries as 1992 approaches.

The krone's valne has remained virtually unchanged since 1982 against the average of the EMS currencies, which has placed exporters to the US and the other Nordic countries (whose currencies are influenced by the value of the dollar) at a disadvantage. But as devaluations in the past have led to nothing but higher inflation and high interest rates, there is not much enthusiasm for new experiments with the exchange rate – and Prime Minister Poul Schlueter's non-socialist minority coalition government is adamantly against devaluation.

Because indirect taxes are steep, if frontier controls were removed overnight, "border trade wouldn't just grow: it would explode," says Mr Munch. The government has only recently conceded, not least under the influence of arguments put forward by Mr Niels Wilhjelm, the Industry Minister, that indirect tax levels will have to be adjusted.

High personal taxes, especially a 2.2 per cent wealth tax on net wealth over DKr1.3m, present another problem. There is a steady emigration, mainly to the UK, of businessmen to escape the wealth tax.

"1992 is not just about competition between firms. It is also about competition between states. When firms decide where to set up, Denmark comes far down the list," says Mr Munch.

Mr Wilhjelm's department is preoccupied by the need for structural adjustment in Danish industry, which is defined under three headings, the need for some big "industrial locomotives," the low level of research and development expenditure in Denmark (at 1.25 per cent of GDP) and internationalisation, or the fact that the activity of Danish firms abroad, measured in terms of sales and employment, falls short of the activity of foreign firms operating in Denmark.

Like many other countries, the Danes have a large number of small companies, but unlike most of them, they have no really big manufacturing concerns. The biggest purely manufacturing company is Danfoss, which makes temperature control equipment, hydraulic controls and electrical components, with a domestic labour force of abont 9,300.

In other countries, large companies account for a high proportion of R&D expenditure (Sweden's Volvo is understood to spend more on R&D than the whole of Danish industry), so Mr Wilhjelm would like to see the creation of more large manufacturing units in Denmark.

It is argued that bigger units would have greater export sales and marketing clout, but this is a process which can also be furthered by co-operation between Danish and foreign firms.

A recent successful example of this process is the acquisition in 1987 by APV, the British-based manufacturer of equipment for the food-processing and beverage industries, of Pasilac-Danish Turnkey Dairies, one of the world's leading suppliers of design concepts and equipment for milk processing.

Pasilsc has been transformed by APV into the group's dairy industry division, and, with the support of APV's global sales and marketing facilities, has flourished. After an initial reduction in its Danish labour force from about 1,600 to 1,300, the payroll is now approaching 2,000.

The argument that Danish companies are too small to do well may be exaggerated. There is a long list of Danish firms, often with very modest turnover, which has a large share of the world market. These include Radiometer, a world leader in blood-testing equipment, Foss Electric, whose milk analysis equipment is used all over the world, Uniras, whose turnover of DKr100m makes it a big player in the market for softwsre for advanced raster graphics applications and Migatronic, which makes equipment for pulling beer from the barrel. These "niche" firms do not necessarily have anything to gain from becoming members of a larger group.

Small also means flexible. Furniture is one of the Danish industries which has enjoyed great export success since the 1950s (although the collspse of the dollar in 1985, which slashed Danish exports to the US, has put the industry in the doldrums for the present), yet there are over 600 furniture manufacturers, and only half a dozen employ more than 100 people.

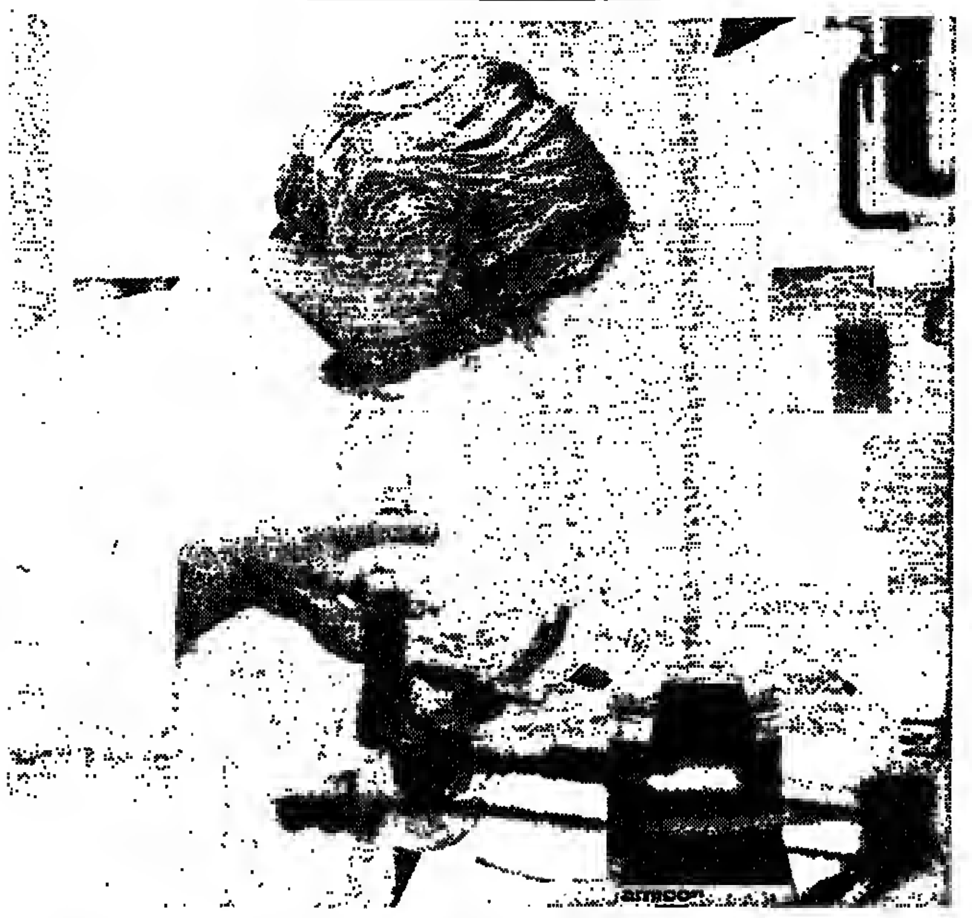
The current state of the economy is not conducive to business optimism. The gross domestic product declined in 1987 and will probably show a small decline again in 1988. Most forecasters expect a growth rate of under 1 per cent in 1989.

The recession, induced by government measures in 1986 to bring the balance of payments deficit under control, is adding to unemployment, which now stands at about 8.5 per cent, and stultifying business investment.

Manufacturing exports have fared reasonably well, however, increasing in the first eight months of this year by about 8 per cent in value compared with the same period in 1987.

Export industries received a helping hand from the government in 1988 when the system on which payroll taxes are raised was changed from a wage-sum basis to a value added basis (and, like VAT itself, the taxes are levied on domestic producers and importers but not on exporters). Although wage rates have risen by about 7 per cent this year, wage costs in export industry have risen by only about 1 per cent.

All eyes are now focused on the wage negotiations next spring, which will play a crucial role in deciding whether this year's export momentum can be maintained.



(Left) A Novo laboratory in Copenhagen, where the world's second largest insulin producer is now producing its genetically engineered "human" insulin.
(Above) Mads Ovlisen, president and chief executive of Novo.
The NovolinPen insulin delivery system, launched earlier this year, is a portable injection system by which the company hopes to steal a march on US competitors

Delays force exporters to set up plants abroad

A shot of insulin in the foot

DENMARK EXPORTS more pharmaceutical products per capita than any other country except Switzerland and is the world's ninth largest pharmaceuticals exporter.

Exports last year totalled DKr5.52bn. About 88 per ceot of the industry's output is exported, according to the Danish Pharmaceuticals Industry Association.

Two companies, Novo and Nordisk Gentofte, account for the lion's share of hoth production and exports. There is a history of long but fruitful competition between them, and insulin is the chief export product for both companies.

Novo ranks second and Nordisk third as world insulin producers, with about 30 and 12 per cent of the market respectively.

But this is one of the sectors in which the country's politicians, in so far as they wish to promote high tech exports, have shot themselves in the foot.

They have implemented legislation on genetic engineering which means long delays before approval for production – including pilot plant production – can be obtained. As a consequence, Novo, the world's leading producer of industrial enzymes, started up production of a new detergent enzyme in Japan instead of Denmark last year.

Though the government has promised to revise the regulatory procedures for genetically engineered products, it has yet to take action

Nordisk Gentofte, with sales last year of DKr1.03bn, has decided to build its plant for producing genetically-engineered insulin in Ireland. Having waited three years for permission from the regulators to go ahead with production of a growth bormone by genetic engineering, Nordisk was not prepared to risk a similar delay once more.

Novo, on the other hand, is producing its genetically engineered "buman" (witb the same molecular structure as tbe natural buman product) insulin in Denmark.

The government has promised to revise the regulatory procedures for genetically engineered products, but action has yet to follow its words.

Meanwhile, although the industry may complain, it is far from being down or out. Novo, whose 1987 turnover amounted to DKr4.91bn, has staged an earnings recovery this year after a dip from the exceptionally high earnings levels in the early 1980s.

Two years ago Novo acquired Ferrosan, another Danish pharmaceuticals prodncer, and this year it strengthened its R&D presence in the US with the acquisition of the ZymoGenetics, a biotechnology research company in Seattle.

In July this year Novo launched its NovolinPen insulin delivery system, a portable injection system about the size of a fountain pen, in the US, a step by which it hopes to steal a march on its major American competitors.

Novo's introduction of its new fat-splitting detergent enzyme, Lipolase, in December last year was also an important step. Although it was produced first from plant in Japan, Novo received regulatory approval for production of the genetically engineered product in Denmark in Angust.

The introduction of the enzyme, which enables fat stains to be removed in the wash with water temperatures as low as 12 deg C, contributed to a 17 per cent growth in sales by Novo's bio-industrial division in the first half year.

PROFILE: LEGO

Toy survival kits

"THIS CAN'T last for ever: you've got to find something new," was the advice which Lego constantly heard around 1960, says Mr Kjeld Kirk Kristiansen, grandson of Lego's founder and group chief executive, in an interview with the Financial Times.

Lego kits: sold in almost every country of the world

The advice was not taken. "We have concentrated on the thing we are good at. We have developed the prodnct and applied new ideas to it...It is a question of how to develop the bricks so that children can build whatever they want with them. That is the trick behind our success."

And Lego, which manufactures toy building kits, based around a snap-on, studded plastic brick, has unquestionably been a success. The kits are sold in almost every country in the world and, despite a pack of imitators, Lego has managed to remain market leader in all of them, even Japan, where it has outstripped a local product.

Gronp employment at tha end of 1987 was 5,950 worldwide. Turnover for the parts of the group controlled from Denmark was DKr2.4bn. Total group turnover is not published. It is probably close to DKr4bn, but that is a figure which Mr Kristiansen will not confirm. "It's a qualified guess," he says. About 60 per cent of sales are in Europe and 20 per cent in the US.

The group has a complicated structure with no fewer than four holding companies, two in Denmark and two in Switzerland, all part of a plan to ensure that Danish inheritance and wealth taxes will not rob the Kirk Kristiansen family of control. It has factories in Denmark, Switzerland, Germany (where its machine tools are made), and the US, as well as joint venture production companies in Brazil and Korea.

The gronp has banefited from its persistence in retaining its basic product and disregarding the toy industry's proneness to the whims of fashion.

"An important factor for us is that the parents of today played with Lego when they were children," says Mr Kristiansen. He sees that as one reason for continued strong growth in sales in the European market.

Another factor behind the group's success is repeat buying. "There were construction toys before Lego came along, but with many of them you had enough if you bought one or two kits. We plan for children buying more kits once they have been introduced to the product. Some years ago we worked out that the first kit led to the purchase of the next dozen. Now the figure is considerably higher."

Like many of Denmark's strongest firms, Lego is family-owned and has no plans to change this. "One reason is that we are financially able to keep it this way," says Mr Kristiansen, "but we see family ownership as a basic philosophy. It has to do with providing a good workplace for our employees wherever in the world they are. One of the advantages is that we can look to the longer term than if we had to discuss decisions with other owners with short-term objectives."

Lego has recently lost some important legal battles, both in the UK and the US, to protect its products from imitators, but Mr Kristiansen is not unduly worried. "We attach great importance to legal protection, but it is not all-important. We have a market position which is so strong that we shall be all right so long as we continue to do the right things in future.

"It would be quite wrong to conclude that, from now on, Lego will go into decline. We must always be the best in the market, in our product programme as well as our marketing."

FOOD

The lure of distant markets

DENMARK HAS a long-standing reputation as an exporter of high-quality dairy products, but restrictions on milk output, imposed by the European common agricultural policy, have inhibited growth. The challenge is being taken np by MD Foods, Denmark's biggest dairy company, which has developed a strategy for international growth.

Since the 1950s, when there were abont 1,400 independent (co-operative) dairy companies, a rapid process of rationalisation has taken place, with MD Foods emerging as the dominant group, handling about 60 per cent of milk produced in Denmark and accounting for 75 per cent of axports of dairy prodncts, which totalled DKr6.4bn in 1987.

With a turnover of about DKr11bn and a labour force of about 4,500, MD Foods claims to be the third largest dairy company in Europe and the fifth largest in the world.

If the name MD Foods is unfamiliar, this is hecause until this autumn the company was known by the tongue-twisting name of "Mejeriselskabet Danmark" (dairy company of Denmark) and its products were marketed under a wide variety of names, invented by the dairies which MD Foods acquired over the years, or under the generic "Danish" label.

Part of the group's internationalisation strategy, intended to ensure that it will remain competitive when the EC internal market is completed, is to market prodncts under the MD Foods label, while an increasing emphasis will be placed on selling high-value brand-name products.

As expansion of Danish milk exports is ruled out by CAP restrictions on milk production, MD Foods is looking for dairies to acquire elsewhere, in Ireland, the UK and the US. "Denmark's leading dairy intends to be one of the world's leading dairies," says Mr Rasmus Jensen, its chairman, himself a dairy farmer.

It is not only in European markets that Danish dairy products have a strong position. They are also well-known in the Middle East. Iran has become Denmark's biggest market for cheese, buying 79,878 tonnes of feta cheese for DKr485m in 1987 (West Germany, which bought 33,329 tonnes of cheese worth DKr996m, was the biggest market by value of exports, however).

Much of the milk and butter consumed in the Arab countries is produced from powder exported from Denmark in dairies equipped by Pasilac-Danish Turnkey Dairies (now a division of the UK's APV).

A similar process of concentration has taken place in the meat-processing industry, in which there are now 11 co-operative meat-processing companies, of which the largest is Tulip, which handles over 3.7m pigs a year, about a quarter of all pigs sent for slaughter. Like MD Foods, Tulip has for many years past concentrated on exporting its own brand-name products.

Pigmeat is Denmark's biggest single export earner, with exports totalling DKr10.43bn in 1987, but pigmeat's share of total exports has fallen from about 10 per cent at the beginning of the decade to 6.2 per cent last year.

At a butcher's. But exporters have lost ground to the Dutch

The prodncers' aim to increase pig production from about 15m in the mid-1980s to 20m by the end of the decade seems unlikely to be realised. Unlike the dairy sector, pigmeat does not benefit significantly from price snpport under the CAP, and the Danish pig producers, burdened by a high level of debt and high interest rates, have lost ground to their Dutch competitors.

The Danes have in particular lost market share in the UK. Their share of Britain's bacon market has slipped from about 42 per cent in the 1970s to 25 per cent, while Holland's has increased from 10 to 25 per cent.

This, however, is in part a reflection of the special status which Denmark enjoys as an area free of foot-and-mouth disease. The Danes are able to export to the US, Japan and other overseas markets which are closed to other continental European producers. Japan has become an especially important market for Danish pigmeat, and although the 94,591 tonnes exported to Japan compares with 166,610 tounes exported to the UK in 1987, the value of exports to Japan was DKr3.10bn compared with DKr2.86bn from exports to the UK.

For the Danish meat-producers and processing industry, completion of the internal market may prove to be a mixed blessing. The liberalisation of trade in primary agricultural products may mean that Denmark loses its special veterinary status and obtains the same status as the rest of the EC. This could close some overseas markets to Danish products, which might cause a DKr3bn loss of export revenue.

As a sudden diversion of Danish pigmeat exports from third markets to the EC would have a serious effect on European pigmeat prices, the Danes are hoping that the European Commission will not in fact try to implement a total liberalisation of EC trade in meat.

DANISH INDUSTRY and EXPORTS 3

Freight rates rise; foreign registrations checked; subsidy stays

Shipowners can wave flags

DENMARK'S SHIPOWNERS are in more optimistic mood than they have been for several years. This is partly owing to better freight rates and partly to the establishment in August this year of the Danish International Ships Register (DIS).

So far some 240 ships, totalling 3.7m grt, or more than half the 4.8m grt merchant fleet, have registered under the new flag, which permits owners to use non-Danish crews, or if using Danish crews to pay them tax-exempt salaries at international rates (equal to after-tax salaries paid to personnel on board ships under the ordinary Danish flag).

The establishment of the DIS has stopped the process of flag transfer which gathered pace in 1986 and 1987. A movement to transfer ships back from foreign flags to the DIS flag is also on the way. Some 18 ships now registered under foreign flags have applied for registration under the DIS.

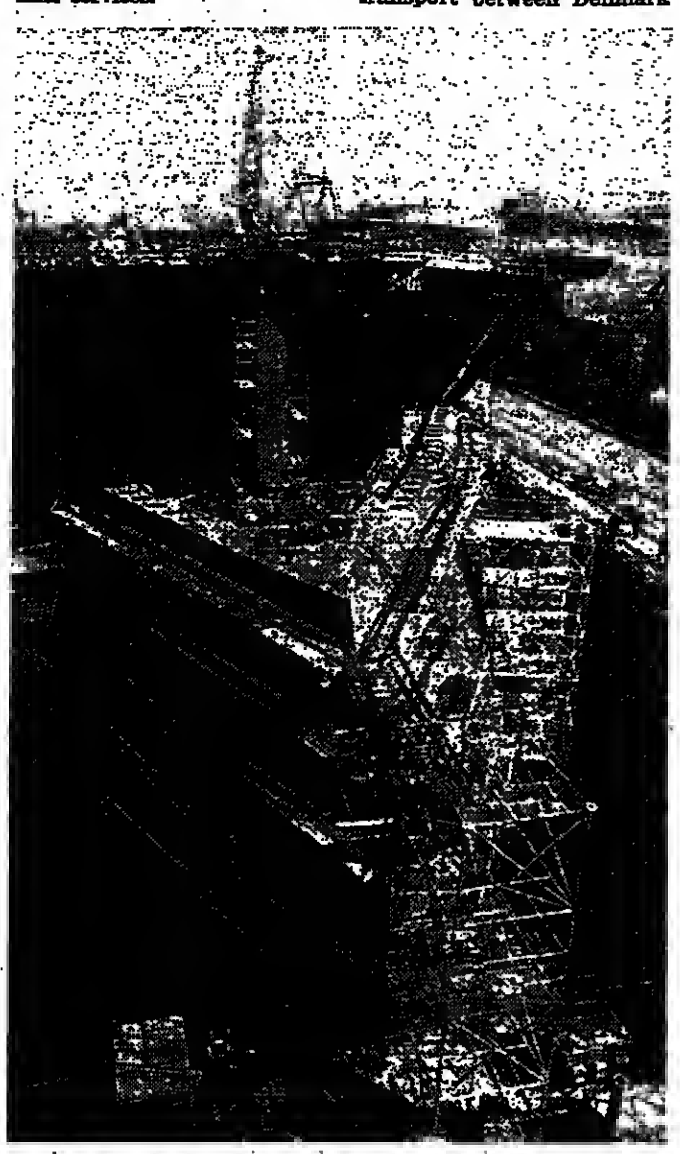
The three giants of Danish shipping are the A P Moller-Maersk Line group, the Lauritzen group and the East Asiatic Company.

A P Moller and affiliated companies employ about 20,000 people worldwide and the group's interests extend into several other sectors as well, including shipbuilding, an airline, manufacturing, a chain of supermarket stores, and exploitation of oil and gas in the Danish sector of the North Sea (undertaken in co-operation with Shell, Chevron and Texaco, Moller's partners in the Danish Underground Consortium).

But Moller is best known for its shipping operations, carried out under the Maersk insignia. The Maersk liner fleet is the world's second largest, owning about 80,000 containers and controlling another 20,000, operating worldwide services.

The total Maersk fleet, which includes liner vessels, bulk carriers, tankers, drilling rigs and supply vessels, comprises over 120 vessels, most of them owned as well as operated by the Moller companies.

East Asiatic Company is a big trading company, with a turnover of about DKr18bn, especially well-known for its operations in China and the Far East. Its ships operate worldwide, usually in co-operation with other owners, and specialise in transport of liquid cargoes, bulk shipment of processed forest products and liner services.



The Burmeister and Wain shipyard in Copenhagen

The Lauritzen group's J Lauritzen Shipping operates a fleet of about 30 reefer (refrigerated cargo) vessels, as well as six drilling rigs and ships, several bulk carriers and tankers.

Lauritzen holds a majority stake in DFDS, which dominates passenger and freight transport between Denmark and Sweden and the UK. DFDS also operates rapidly expanding door-to-door transport services in most European countries.

Both East Asiatic and the Lauritzen group went through a financially troubled period in the 1980s. Among the victims of their problems were three of Denmark's shipyards. However, the country still has three main yards in operation.

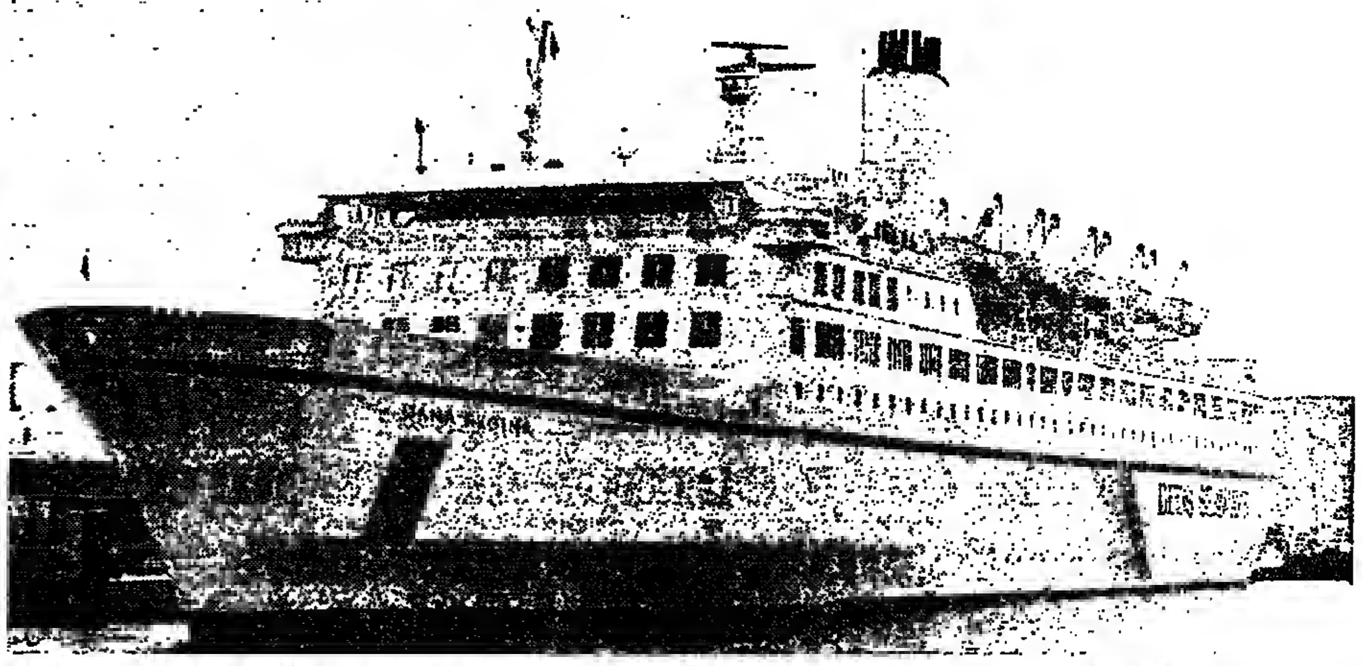
In addition to Moller's Odense Steel shipyard, these are Lauritzen's Frederikshavn yard in Jutland and the Burmeister & Wain yard in Copenhagen.

The B & W yard developed a highly successful line in fuel-efficient Panamax bulk carriers in the 1970s, winning a substantial share of the world market for vessels in this class. More recently, it has developed a fuel-economy product tanker series in the same size class, utilising the hull design specifications which contributed to the bulkers' performance, and with advanced design of the tanks themselves to facilitate effective and fast cleaning.

Ships built at Danish yards for Danish owners receive a substantial subsidy, which comes to about 28 per cent of the price of the ship. The main element in the subsidy is a through financing with government-subsidised index-linked mortgage bonds, which can be used to finance up to 80 per cent of the cost of building.

The government plans to reduce the subsidy over a three-year period, starting in 1989. Details of the subsidy reductions were not finally fixed at the time of writing, but the 80 per cent subsidised mortgage limit will probably be cut successively to 60 per cent, 40 per cent and 20 per cent in each of the next three years.

As Mr Niels Wilhjelm, the Industry Minister, had planned to scrap the subsidy over two years, the yards are relieved. They expect a rush of new orders over the next few months to supplement the 26 ships, totalling 515,000 grt, which were on order at the beginning of October.



DFDS Seaways of Copenhagen dominates passenger and freight transport between Denmark, Sweden and the UK

ENVIRONMENT

Tough standards give a boost to the 'green' companies

INTENSE PUBLIC and political interest in environmental problems has contributed to the development of a growing environmental industry in Denmark – especially for water purification and for reducing atmospheric pollution from flue emissions.

An ecological scare in 1986 caused the Folketing to lay down what are probably the toughest standards anywhere in the world for the purification of waste water from industrial plants and communal sewage plants.

I. Krüger, the leading Danish company in water purification, is hoping that its contribution to implementing the domestic programme will give it the technological edge, as well as the financial strength, to emerge as one of the major European suppliers of waste water treatment plants.

"As more and more countries require nitrogen and phosphorous cleaning of waste water, we believe we shall be able to utilise our experience in export markets," says Mr Nicolas Heinen, sales manager in the international contracting division.

Krüger, a member of the Danisco group, increased turnover by 125 per cent between 1983 and 1987 to DKr547m. Employment went up by 300 to 750 over the same period.

The company has set up subsidiaries in France and West Germany and supplied purification plants to Greece and Spain.

After lobster colonies were wiped out in the autumn of 1986, the ecological scare led the Danish parliament to lay down what are probably the toughest standards in the world for the purification of waste water from industrial and sewage plants

The accident which precipitated the tough Danish legislation was the de-oxygenisation, as a result of eutrophication, of areas of the Kattegat in the autumn of 1986, which caused lobster colonies to be wiped out.

The Krüger process is a biological one, with no added chemicals and low energy costs. The process uses bacteria to convert ammonia in waste water into nitrogen gas, which is released into the atmosphere, and to "eat" phosphorous. In its newest plants Krüger guarantees to reduce the nitrogen content in the effluent to 7mg and phosphorous to 1mg per litre of water.

Together with Danish, Swedish and Norwegian research institutions, Krüger is engaged in a Eureka research project into the use of hydrolysis to speed up the removal of organic matter

In prevention of atmospheric pollution, Denmark boasts three companies which design equipment to advanced specifications for the removal of sulphur dioxide and nitrogen oxide from power station flue emissions.

Niro Atomiser uses spray-drying technology, developed originally for use in food-processing.

F. L. Smidth, one of the world's leading suppliers of cement mills, bases its newest system on electrical pulse energy precipitation.

It is still undergoing tests, but if the company's expectations are fulfilled, Coronox, the new system, will be able to reduce sulphur dioxide and nitrogen oxide emissions to the levels of the best-competing technology at a third of the cost of the plant. A waste product which can be used as fertiliser is left over.

Topsoe, with a long history in research and development and manufacture of catalysts for industrial uses, has developed a catalytic process for removal of the two pollutants. Commercial grade sulphuric acid is recovered and no waste products or waste water are produced.

ELECTRONICS

What the professor heard

"ACOUSTICS IS not a big enough area to support two people," Mr Per Bruel and Mr Viggo Kjaer were told by their professor in 1943, when they decided to set up in business together.

But today Bruel & Kjaer, its two septuagenarian founders still running and owning the company, supports about 2,300 people in Denmark and another 700 abroad. It is one of the two or three biggest electronics manufacturers in Denmark.

Denmark has a strong tradition in electro-technical industries, which goes back to a research tradition which began with H. C. Orsted, the discoverer of electro-magnetism.

The electronic industry's exports account for about 90 per cent of production, which totalled some DKr12.4bn in 1987.

EXPORTS IN 1987
Figures in DKr bn

Agricultural*	43.7
Animal	20.4
Vegetable	6.9
CAP export subsidy	6.4
Pelts	4.1
Manufactures	118.3
Machinery, instr	40.9
Chemicals	16.2
Ships	3.3
Fish, fish products	9.0
Total*	181.5

*Including CAP export restrictions

Storno (now owned by Motorola) in radio-telephones, Radiometer in equipment for blood analysis, Bang & Olufsen in audio equipment and television, GNT Telematic and Alcatel Kirk for telephones and related equipment, are some of the other larger firms. Altogether, the industry employs about 32,000 people.

Like most of the successful electronics manufacturers, Bruel & Kjaer has found a niche – "not a narrow one, but with a limited market," as Mr Niels L. Olsen, international sales manager, puts it.

The company produces about 200 articles altogether, all of them related to either acoustics or vibration measurement and with applications in industry, medical diagnostics, the professional audio industry, and for monitoring the environment and the condition of materials (ball-bearings, for example).

But where the company scores over many of its competitors is in offering complete systems.

A typical system is a noise monitoring and analysis system for use at airports. Not only will noise levels be monitored, but the systems can identify any aircraft which exceeds the legal norms.

Much of Bruel & Kjaer's work is done in close association with universities and research departments of industrial companies. New products or solutions are developed in consultation with customers.

One of the company's recent developments is a vibration measurement instrument which uses laser velocity transducers, which means that *there* is no *physical contact* between the instrument and the object being measured. Although the technology *is* not completely new, the Bruel & Kjaer apparatus is much smaller than others on the market.

"We are very excited about it," says Mr Olsen. The apparatus has been well-received in the auto industry and will have applications in the aero, space and many other industries.

Monitoring of chemical releases in factories by photo-acoustics is another speciality. Gases which are heated by passing through an infra-red beam give off sounds, and the sound emitted leads to the identification of the gas and to analysis of the quantities in the atmosphere. In addition to industrial applications, this is used in anaesthesia.

The company is wholly owned by the Bruel and Kjaer families, and all profits are ploughed back into the company. Mr Per Bruel's main complaint is that that if it was not for the wealth tax, there would be an additional DKr40m available for research

FT LAW REPORTS

Arbitration case goes ahead

MARC RICH & CO AG v SOCIETA ITALIANA IMPIANTI PA (THE ATLANTIC EMPEROR)

Queen's Bench Division (Commercial Court): Mr Justice Hirst: November 3, 1988

ALL MATTERS connected with arbitration, including the disputed existence of an arbitration agreement, are excluded from the ambit of the 1968 Brussels Convention on civil jurisdiction; and accordingly, the Convention cannot deprive the court of jurisdiction to appoint an arbitrator under the disputed agreement on the ground that a foreign court case already has priority.

Mr Justice Hirst so held when refusing an application by the defendant Italian company, Societa Italiana Impianti PA, to set aside leave granted *ex parte* to the plaintiff, Marc Rich & Co AG, to serve an originating summons on Impianti out of the jurisdiction.

Order 73 rule 7(1) of the Rules of the Supreme Court provides: "Service out of the jurisdiction of– (a)any originating summons . . . under the Arbitration Act 1950 or . . . 1979 . . . (b) . . . is permissible with . . . leave . . . provided that the arbitration . . . is governed by English law or . . . is to be held within the jurisdiction".

Article 1 of the 1968 Brussels Convention, as set out in the Civil Jurisdiction and Jndgments Act 1982, provides: "This Convention shall apply in civil and commercial matters whatever the nature of the court or tribunal . . . The Convention shall not apply to . . . (4) arbitration".

HIS LORDSHIP said that on May 19, 1988 Marc Rich was granted leave under RSC Order 73 rule 7 to serve an originating summons on Impianti in Italy.

By that summons Marc Rich applied under section 10(3) of the Arbitration Act 1950, for appointment of an arbitrator on Impianti's behalf.

Section 10(3) provided that where an arbitration agreement provided for reference to three arbitrators and one of the parties refused to appoint within seven days of receiving notice from the other, the High Court might appoint an arbitrator on behalf of the defaulting party.

The dispute arose out of a contract for the sale by Impianti to Marc Rich of a cargo of Iranian crude oil.

Marc Rich alleged the contract contained an arbitration clause. Impianti contended that the clause, though proffered by Marc Rich, was never accepted and so there was no submission to arbitration.

The disputed clause provided that "this contract shall be construed in accordance with English law", and if any dispute arose between buyer and seller, it was to be be referred to three persons in London.

In the present application Impianti sought to set aside leave to serve the originating summons in Italy.

The first issue was whether the Brussels Convention, now enshrined in English law under the Civil Jurisdiction and Judgments Act 1982, applied.

If the answer was yes, the question was whether the terms of the Convention deprived the court of jurisdiction to grant relief, on the footing that Italian proceedings which had already begun in Genoa, had priority.

The application of the Brussels Convention turned entirely on the interpretation of article 1(4), which provided that the Convention should not apply to "arbitration".

Mr Milligan for Marc Rich submitted that that exclusion covered all aspects connected with arbitration, including ancillary matters such as the existence or validity of an arbitration agreement.

Mr Gross for Impianti submitted that the exclusion did not extend to a case where the principal issue was whether there was e binding agreement to arbitrate. The essence of arbitration, he said, was consent, and unless or until consent was established there could be no arbitration.

Both sides relied on statements in the *travaux preparatoires* to which the court was enjoined by section 3(3) of the 1982 Act to give "such weight as is appropriate in the circumstances" in ascertaining the meaning or effect of the Convention.

In the Official Journal of the European Community, volume 22 March 5 1979, Mr P Jenard commented *(C59/10)* that "matters falling outside the scope of the Convention do so only if they constitute the principal subject-matter of the proceedings".

The "principal subject-matter" of the present originating summons was the arbitration agreement.

Also, Mr Jenard said *(C 59/13)* "The Brussels Convention . . . does not apply for the purpose of determining the jurisdiction of courts and tribunals in respect of litigation relating to arbitration – for example proceedings to set aside an arbitral award".

Proceedings to set aside an arbitral award would frequently involve a challenge to the initial validity of the arbitration agreement.

Professor Peter Schlosser commented *(C 59/93)* "The 1968 Convention does not cover court proceedings which are ancillary to arbitration proceedings . . . A judgment determining whether an arbitration agreement is valid or not is not covered by the 1968 Convention".

The present issue fell precisely within the test "whether an arbitration agreement is valid or not".

Those passages strongly favoured Mr Milligan's argument and gave no comfort to Mr Gross.

The court accepted Mr Gross's submission that one of the purposes of the exception was to secure harmony with other international Conventions dealing with arbitration. But it did not follow that any aspect not specifically covered by such a Convention was to be treated as outside the scope of the exception.

In the last analysis the question turned on the proper interpretation of "arbitration" in article 1(4).

Mr Milligan's interpretation was consonant with the natural meaning of the word, with the purpose of the exclusion, and with practical common sense.

In its natural meaning and context "arbitration" was appropriate to cover all matters connected with arbitration, including questions as to the initial validity of the alleged arbitration agreement.

So far as purpose was concerned, the intention to bring the Convention in line with other international Conventions dealing with arbitrations, one very important objective must have been to ensure that the national court controlling the arbitration proceedings, should adjudicate all matters connected with those proceedings.

So far as practical considerations were concerned, Mr Gross's construction would have the extraordinary result that a party could escape the impact of the article 1(4) exception, by the simple expedient of challenging the initial validity of the arbitration agreement.

It was impossible to believe that could have been the draftsman's intention.

The second question was whether Marc Rich had established jurisdiction under RSC Order 73 rule 7 on the ground that the arbitration was governed by English law.

Mr Gross submitted that the proper law was Italian law on the ground that the agreement had its closest and most real connection with Italy, in that it was made in Italy and negotiated between Italian defendants and Marc Rich's Italian associate company.

In the *Parouth [1982] 2 Lloyd's Rep. 351* Lord Justice Ackner confirmed the principle in Dicey & Morris, Conflict of Laws, 10th ed, r146, p775 that "the formation of a contract is governed by the law which would be the proper law on the contract if the contract was validly concluded".

The relevant formation was governed by the law which would be the proper law of the entire contract if the disputed part was validly concluded.

In the present case that law was manifestly English law, having regard to the terms of the disputed arbitration clause.

That conclusion was sufficient to found jurisdiction under Order 73 rule 7, since the plaintiff need do no more than establish a good arguable case.

The third question was whether the court, in the exercise of its discretion, should uphold the *ex parte* order granting leave to serve out of the jurisdiction.

Mr Milligan submitted that as a matter of general principle the English courts were *prima facie* the proper forum for applications under the English Arbitration Acts. Also, be contended thet the English court was the only court in a position to invoke section 10(3) of the 1950 Act, which was the subject matter of the originating summons.

Those arguments were sound and pointed overwhelmingly in favour of England as the *forum conveniens*.

The application to set aside leave for service out of the jurisdiction was rejected.

For Marc Rich: Iain Milligan (Clyde & Co)

For Impianti: Peter Gross (Ince & Co)

Rachel Davies
Barrister

CONTRACTS

Watkins to renovate houses and offices

Contracts valued at more than £14m have been awarded to specialist refurbishment contractor VAT WATKINS.

The contracts come from Lambeth Borough Council (refurbishment of Wynyard House, a pre-war hoosing estate, £1.45m) and International House (an office block, £1.6m).

Wandsworth Borough Council (tower blocks at Alton Estate, £1.35m); Rochester District Council (old people's home refurbishment and extension, £3m); Reading District Council (system built houses, £1.4m); Kensington & Chelsea Borough Council (three tower blocks on Henry Dickens Estate, £3m).

Tower Hamlets Borough Council (tower block on St. John's Estate, £352,000); Barking & Dagenham Borongh Council (four-day package improvements, worth £500,000); Welwyn & Hatfield District Council (envelope scheme at Woolmer Green costing £630.000) and British Telecon (refurbishment of three telephone exchanges for £850,000).

WESTLAND AEROSPACE has secured a $60m (£34m) follow-on contract for the supply of engine nacelles for Boeing of Canada - De Havilland division. The nacelles, to be supplied over five years, are for the Dash 8 series 100 and the recently introduced 300 series aircraft. Fibre-reinforced composite, aluminium and titanium will be used in the production of the nacelles, and deliveries will start in September next year.

Leisure facilities for Hong Kong

The Hong Kong office of GEORGE WIMPEY INTERNATIONAL has won two contracts, worth over £4m, from the Hong Kong Government's Territory Development Department, to provide leisure facilities at Tuen Mun, in the New Territories.

The contracts cover a cycle track, four basketball courts, a football pitch and a recreation centre. Work has started on the £1.4m recreation centre which is due for completion in October next year.

The complex will comprise a series of pavilions grouped together on a plaza, with a multi-purpose games area and tiered spectator seating beyond, as well as a promenade alongside a nullah.

Nearby, Wimpey has also started work on a cycle track, football pitch and four basket ball courts with spectator seating areas.

The £2.6m development will feature a riverside promenade with extensions to two foot bridges. A lecture room, changing and store rooms as well as refreshment facilities are also included in the contract which is due for completion at the beginning of 1990.

Dealing rooms in the City

GRE Properties, property investment and development subsidiary of GRE, in joint venture with C.Itoh, a Japanese trading house, has negotiated an £11m contract for the redevelopment of 2-6 Austin Friars in the City with WATES CONSTRUCTION (LONDON).

The total contract has been negotiated in three phases covering demolition, sub-structure and superstructure. Demolition and the excavatioo of a two-level basement behind retained façades on the City site has required Wates to undertake complex temporary works in restricted conditions.

On completion the rebuilt nine-storey structure will provide 65,000 sq ft net air-conditioned offices fully fitted out and with facilities for dealing rooms.

Refurbishment in London

DOVE BROTHERS, a subsidiary of McLaughlin & Harvey, has won contracts totalling £10.5m. The largest is for the redevelopment and refurbishment of 80 Coleman Street, London EC2, for City Holdings and is worth in the region of £3.5m. The work includes a multi-storey office block and refurbishment of the adjacent buildings.

Work has also commenced on the refurbishment and major alterations to 5 Wiltoo Crescent, London, SW1, for Polly Peck International.

The company has started work on four cootracts for National Westminster Bank. The npgrading of catering accommodation on the 13th and 14th floors of King's Cross House, Pentonville Road, London, N1, is worth £614,000. The bank's 250 Regent Street, London, W1, banking hall is being refurbished at a contract value of £376,000. Work has commenced on two further contracts worth a total of £412,000. They are for the fitting out of the Corporate Business Centre at Upper Street, London N1, and the refurbishment and alteration of the National Westminster Bank, East Street, Barking, Essex.

Refurbishment is underway at the Streatham High Road Sainsbury's to form offices. The contract is estimated to be worth around £1.3m.

The external repair and refurbishment of 6 Broad Street Place, London, EC2, is also in progress. Valued at around £1m, the cootract is with the Norwich union Life Assurance Society. A cootract, worth £1.6m, has been awarded by Greycoat Group for the refurbishment and addition of a floor to 2 White Lion Court, London, EC3.

Ernest Ireland wins wide spread of work

Contracts totalling over £21m for civil engineering, commercial, retail and industrial building work in the South and West have been won by ERNEST IRELAND CONSTRUCTION of Bath, part of Mowlem Regional Construction.

The largest is for a £3.63m extension to Tesco Stores distribution depot in Westbury. The project also involves refurbishment to the existing building, hard standings, loading bays and a 14 metre high landscaping scheme. Work has just started for completion in Spring 1989.

Marlborough College in Wiltshire, has awarded the Swindon office two contracts for boarding accommodation at Millmead and Elmhurst Houses. The facilities will include Marlborough's first boarding house for girls. Work has started on both projects for completion in August 1989.

Following completion of Sainsbury's superstore structure in Bridgwater for London Retail Investments, Ernest Ireland has been awarded the £2.8m fitting-out contract by J. Sainsbury.

In Bristol, Ernest Ireland has won a £2.6m contract for a computer centre at the University of Bristol. It will accommodate computer facilities on the ground floor, a bank and bookshop on the first floor and offices and a computer-user's area on the second floor. Work has started for completion in October 1989.

Among contracts won by the civil engineering division is a £2.13m contract for Wessex Water Authority, at Black Rock, Weston-super-Mare, to upgrade the standard of outfall. This involves a screenings building, water mains chambers and external works.

In Wilton, near Salisbury, Wiltshire, the Trustees of Wilton House Trust have awarded Phase I of a seven year refurbishment programme for Wilton House to the Bournemouth office. The contract, valued at £1m, involves complete restoration of the roof, structural timbers, guttering and lead-work. Work on this phase is scheduled for completion in August 1990.

Ernest Ireland's restoration and special works division is carrying out external restoration works, valued at £100,000, for Courage, at the Grosvenor Hotel, Bath. The project calls for the complete renovation of the Georgian façade to comply with conservation requirements.

Other substantial contracts include two warehouses for Mowlem Property Developments at the Bristol Interchange, Patchway (£1.8m); design and construction of three light industrial units for Dunford Dairies/Deltavon Dairy Co at Longwell Green, Bristol (£1.5m) and 23 units with parking facilities and access for the Metropolitan Real Property & Land Investment & Development Co at Oldmixon Industrial Estate, Weston-super-Mare (£1.3m); a restaurant and office accommodation for Cadbury's, in Keynsham (£664,000); Phase I of the restoration of Clevedon Pier for the Clevedon Pier Trust (£446,360); design and construction of a bodyshop, showroom and office area at the Dick Lovett Bodyshop, Swindon, for Peter Lovett (£390,000); civils at Littleton Water Treatment Works for ASEA Brown Boveri (£261,569) and factory floor slabs for Eynsham Project Engineering at Callow Rock Quarry, Cheddar (£96,000).

MANAGEMENT

In Britain, trainee managers are as likely to be selected for their extra curricula accomplishments as for their academic record. Indeed companies may even discriminate against formally authenticated intellect, arguing that "we're not looking for someone who got a first but for someone who made the most of their time at university."

This is not the approach taken by French employers who frantically outbid each other to try to attract the brightest graduates – as tested and approved by the élite grandes écoles (super-universities).

There is a deep-seated belief in Britain that those who are brainy are also impractical. It is a view that manifests itself, for example, in the assertion that academics are never more than failed practitioners – in other words, "those who can't, teach." A similar attitude influences British politics.

Britain, like America, has seen a decline in the number of intellectuals in politics, whereas the French are inclined to favour the intellectual politician. One can see it in their choice of presidents, especially throughout the Fifth Republic. What is more, French politicians seeking election will often boast of their intellectual (and even literary) accomplishments; these are trumps to be played, not skeletons to be hidden. In short, the French do not adhere to the Anglo-Saxon view that qualities of thought and action are mutually exclusive.

Intellect is regarded in France as the prime criterion for leadership in any field – even business. A look at the appointments section for local jobs in one of the quality newspapers (Le Monde, Le Figaro) illustrates the importance attributed to intellectual credentials.

A typical sequence would begin: Jean Dupont 53, X . . . These are the essential details needed to place a person in France: name (and therefore sex), age (and year of graduation), and grande école attended (the 'X' being a cryptic reference to the crossed canons of l'Ecole Polytechnique). The blue chip company from which the new appointee has just moved comes a long way down the list.

In France, people are measured by their intellectual achievements (even if they date back 30 years) rather than their penultimate posting or present salary. This points to academic qualifications in France having a longevity which they do not possess in Britain – an idea underlined by the French author Peyrefitte:

"En France, le diplôme est une fusée longue portée qui, sauf accident, vous propulse jusqu'à la retraite." [In France, the diploma is an open-sesame which, barring mishaps, guarantees lifelong career success.]

Why this emphasis on educated cleverness and formal intelligence in France? Three factors point to the answer: first, there is the long-standing logico-intellectual tradition in France; second, there is the belief in intellect as a viable social discriminator; third, there is the French view of management as an essentially cerebral activity.

Academic qualifications and business

Where experience counts little against alma mater

Jean-Louis Barsoux on French and British versions of élitism

Some of the obvious flowerings of France's long-standing ratiocinative tradition are the work of Descartes in the 17th century and the Age of Enlightenment in the 18th century. This emphasis on rationalism and abstract thought has left a lasting impression on French culture. One manifestation is the jardin à la française – a tribute to mathematical rigour, clear conception and hostility to the whims of nature. A variation on the theme is the French style of comprehensive planning (planification indicative) with its emphasis on intellectual development but relatively lax implementation or control.

Whether truly founded or not, this view of the French temperament as pervaded by a disembodied intellectualism has been touted for so long that it has stuck. The French in general, and their managers in particular, end up believing in and living out the stereotype. For instance, in the eyes of French executives, it is the ability to think logically and analyse systematically which sets them apart.

Indeed, there is no greater compliment for a French manager than to be described as cartésien since it implies a thorough and analytical mind and labels him as typically French.

Where leadership is concerned, France has firmly nailed its colours to the post of cleverness. Research has shown that about one in three of France's top 200 companies is headed by a graduate of either the prestigious engineering school, l'Ecole Polytechnique, or the civil service training college, l'Ecole Nationale d'Administration.

This might seem odd in view of the fact that neither school is officially geared to producing managers. However, it says a great deal about the qualities French companies look for in a leader.

The seal of approval from a prestigious grande école endorses its holder's capacity for rapid learning and intellectual virtuosity. The quality of the raw material is guaranteed by a highly selective recruitment process, which requires two years' additional schooling beyond secondary education – and the finished product has the added feature of three years of intensive study. In short, the graduate engineer is endowed with the necessary resolve and analytical ability to tackle any problem.

Thus, it is achievement in the educational field which determines inclusion among the decision-makers of French society. The nation is governed by its star pupils, and the higher reaches of management are no exception. Brains are deemed an acceptable means of procuring social eminence.

Educational credentials are considered ideal props for authority since they are verifiable discriminators of the organisational hierarchy – and are certainly less invidious grounds to invoke in a democracy than either hereditary privilege (Britain?) or the acquisition of wealth (US).

In France, qualifications indicate status and competence in much the same way as salary places someone in the US. Graduates of a prestigious grande école are demonstrably "better" than their organisational subordinates and this justifies inequalities of power.

Thus, élitism and the French preoccupation with egalitarianism are reconciled, since the systematic testing of intellectual merit gives everyone (in theory) the same opportunity of access to the élite.

In keeping with this desire for objectivity, mathematics is the central feature of French selection methods in education. From secondary school onwards, a priority is given to the mastery of mathematical tools and to the quality of logical inference. The maths content provides the basis for the pecking order in baccalaure'at (equivalent of Britain's GCE "A" level) options and determines admission to the top flight engineering grandes écoles, as well as the very best business grandes écoles.

Beyond this historical and socio-cultural penchant for intellect, the French also hold a conceptually different view of what management is about. Again, quality French newspapers offer a useful insight. A scan of the job ads reveals a low emphasis on drive or initiative, by Anglo-Saxon standards at least. Instead, advertisements will refer to more cerebral qualities, le sens de l'analyse/l'esprit critique, l'autonomie, la capacité de synthèse (analytical mind, independence, intellectual rigour, ability to synthesise).

Where communication or relational skills are required they are often tacked on at the end, like an afterthought, as in:*"Vous avez un esprit de synthèse remarquable et une tres grande capacité d'e'coute. Précis et rigoureux, mai aussi homme de terrain, de dialogue . . ."* (for a post of personnel manager in Le Monde, September 20 1988).

"Votre rigueur d'analyse. votre souci de cohérence et vos qualités de contact . . . (for a post of administrative director in *Le Monde*, September 13 1988).

To caricature the situation, the French seem to focus on qualities of reception (analysis, synthesis, agility of the mind) at the expense of other qualities (charisma, pugnacity, capacity to communicate and motivate). In short, the French seem to regard management as an intellectually demanding exercise

Perhaps it is because of the very rigorous intellectual training which French chief executives typically receive that they have difficulty in subscribing to the Anglo-Saxon view of management as a fairly straightforward activity

Of course intellect is not the only quality needed for good management; it stands beside intellectually undemanding things, such as getting close to people, listening, talking to them, helping to solve at least their operational problems, maintaining their interest and commitment. In short, management is about implementation as well as conceptualisation.

While Anglo-Saxons should respect the intellectual calibre of French management, and the pluses that go with it, there is no need to be overawed. Senior French managers may well be more numerate, able to grasp complex problems and assimilate new knowledge quickly, but that is only half of the equation.

Managemant work also involves routine, fire-fighting, juggling, walking about, "man-handling" of recalcitrant circumstance (and peopla), speedy rational decision-making, and inspired acts of adaptive implementation – and individuals chosen for their brains may not be the best suited to carry this out.

Thus, just as British management education would benefit from raising its academic profile, so French management education could probably do with incorporating a dollop of pragmatism.

The author is a postgraduate student of French management at Loughborough University of Technology.

Access to Japanese markets

Better payback from active involvement

By Michael Skapinker

What is the most effective way for western companies to eoter the Japanese market? Several have attempted to gain access to Japan by setting up joint ventures with local companies – only to curse the day they first thought of the idea.

Dominique Turpin, assistant professor of business administration at Imede in Lausanne, says that the success of Japanesa companies can be explained, at least in part, by the way they have used joint ventures to gain access to western technology. By contrast, "the benefits for most western partners remains questionable."

Turpin argues*, however, that the failure of western companies to get as much out of joint ventures as their Japanese partners is not the result of a conspiracy.

"If Japanese partners have benefited most, it is largely because the western partners have generally been less committed. Even firms which agree that Japan is strategically important continue to accord it only secondary priority.

"Once into a joint venture in Japan, western firms are apt to leave the Japanese partner to take charge of such vital corporate functions as personnel, sales and distribution. Subsequently, the Japanese partner finds itself with vital functions under its control, to the disadvantage of the western firm."

Turpin says that despite these difficulties, joint ventures remain the most effective route for certain industries and types of operation.

"In the food and beverage industry, for example, the western firm faces tremendous distribution barriers. Serving close to a million retail outlets through some 330,000 wholesalers in a country with virtually no street names presents a formidable challenge for western firms trying to distribute products on their own.

"The joint venture is also appropriate for specific, well defined operations such as the marketing of a particular product within a geographical region or the manufacturing of a specific product," he says.

To be successful, however, the joint venture has to be carefully managed. He points to AGF, n joint venture between Ajinomoto and General Foods, as an example which other western companies would do well to emulate.

Included in the agreement between the two companies is an undertaking to allow the new venture to handle its own recruitment. Because it is so difficult for western companies to hire Japanese managers, they tend to leave it to the local firm. But Japanese managers tend to have a stronger allegiance to the Japanese company, Turpin warns.

It is imperative that the new venture recruits people who are not from the parent company as a way of ensuring staff loyalty, he says.

He adds, however, that setting up a wholly owned Japanese subsidiary is often preferable to a joint venture.

"Contrary to western belief, subsidiaries are equally successful in financial terms. This is a point to be stressed because western businessmen think that the start-up time necessary to achieve an attractive level of profitability is longer in Japan. A recent report issued by the European Business Council in Tokyo finds that the time required for a foreign subsidiary in Japan to break even is virtually the same as for a joint venture – four versus 3.9 years."

Apart from offering better managerial control, a wholly owned subsidiary allows western companies to begin to turn the tables and gain access to Japanese technology.

In 1980, BMW set up a wholly owned subsidiary, charged with the seemingly impossible task of selling its cars in Japan. Turpin says that sales have risen from 3,700 in 1981 to over 20,000 in 1987. Apart from that success, however, BMW has also been able to monitor Toyota, Nissan and Honda's moves into the luxury car market and also to keep an eye on Japanese research in ceramic engines, new materials and the use of electronics in the car of the future.

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TECHNOLOGY

Bumpy launch for a new industry

Della Bradshaw explains the technical problems entailed in satellite broadcasting

This week's UK Government White Paper on broadcasting opens the way for subscription and pay-per-view television. But the disagreements now being aired in the nascent satellite broadcasting industry reflect the technical problems involved in making customers pay for what they watch.

By the end of next year, viewers in the UK will be able to receive at least nine additional television channels via two satellites. One is Astra, owned by a European consortium based in Luxembourg, and the second is owned by British Satellite Broadcasting (BSB). Independent programmers will lease the channels on Astra; BSB will provide its own programming. But would-be viewers will have to invest in several sets of satellite receiving equipment if they want to watch all the programmes.

"I've followed the developments in satellite broadcasting over the past few years and I've been overcome by gloom," says Anthony Davey, associate director of projects at CIT, a UK research group. "In the US it has become obvious that the simplest options are the best. But here we're going to flood subscribers with different transmission systems and different types of decoders.

"I think we'll get the same situation as we did with video recorders: the market will become confused and that will slow down the penetration. In the end that could break Astra and it could break BSB."

There are three areas of technical disagreement among the two satellite operators and the programme companies that will lease the channels on those satellites:

- the transmission signal;
- the access control system which prevents unauthorised viewing;
- the receiving dishes.

In August next year BSB, which is partly owned by Pearson, publisher of the Financial Times, will launch its satellite using a transmission system called Mac (multiplex analogue components). Mac, developed by the IBA, uses the digital language of computers. This means that the information is sent in pulses, each carrying a different component of the programme: the black and white picture, the colour picture and the data channel (which includes the sound, teletext and any other data services).

The older analogue Pal (phase alternate line) system transmits the black and white pictures at the same time as the colour, but on different frequencies. The decoder in the television set may confuse the two transmissions if they are detailed, which causes picture problems such as when check fabric appears to flicker. Pal is used on all terrestrial television broadcasting by the BBC and IBA in the UK, and in most other countries in Europe, except France.

Programming companies using the Astra satellite, which will be launched on December 9, will be allowed a choice of transmission signals.

Sky Television, for example, in which Rupert Murdoch's News International has a majority shareholding, has chosen to use Pal on the four Astra channels it has leased. Because Pal is so widespread, the receiving equipment will be cheaper than that for Mac systems. Sir Clive Sinclair's Cambridge Computer has now undercut Alan Sugar's Amstrad in offering the cheapest equipment to pick up Astra programmes, at less than £150.

The move by Sky Television has disturbed European television manufacturers. They are particularly anxious that Mac should be adopted throughout Europe because it is the next step on the way to high definition television. Japanese manufacturers are some way ahead in these developments, but a unified home market using Mac could put the Europeans back in the race.

The Pal/Mac controversy also bears on the issue of access control, where the key point is how to ensure that the service can only be viewed by people who have paid.

W. H. Smith Television, which is leasing two of the 16 Astra channels, will begin services using Pal, but will change to Mac when the equipment becomes available next year. Until then, says David Gaylor, technical manager, the company will not charge for its programmes because a simple Pal encryption system is fairly easy to pirate and can lead to reduced picture quality.

The quality problem results from scrambling, in which the picture is cut and the sections transposed. On a digital Mac system, the cut can be made easily between the digital pulses, but on the analogue Pal system some element of the information is inadvertently removed. So when the picture is re-assembled visible lines can be left on the screen.

More advanced Pal encryption systems cost as much as the Mac equivalent without giving any of the advantages, such as a better picture and extra data channels. The latest version of Mac used by BSB, called D-Mac, has eight data channels with each programme.

With both Mac and Pal, the viewer's receiver contains information about which services he or she has paid for. If the viewer is authorised to have a programme, the receiver deciphers an encrypted control word which is sent alongside the scrambled picture. The control word then triggers a re-assembly of the slices in the correct order.

Later this month in Paris, the European Broadcasting Union will study three proposals which aim to persuade manufacturers and broadcasters to adopt a common standard for Mac access control throughout Europe. That will give the equipment manufacturers the economy of scale needed to produce equipment cheaply, and will mean that subscribers need to buy fewer pieces of equipment.

The prospects for one standard look bleak. BSB has already decided to use Eurocypher, an adaptation of the American General Instruments' system. W. H. Smith has opted for Eurocrypt, a royalty-free standard developed by a group of European companies, including the big three television manufacturers, Philips, Thomson and Nokia. The third system is an early version of Eurocrypt and is likely to be used only in France.

The European consortium which developed Eurocrypt is still hoping to persuade BSB that a common European standard can only be achieved if it reverses its decision to buy Eurocypher.

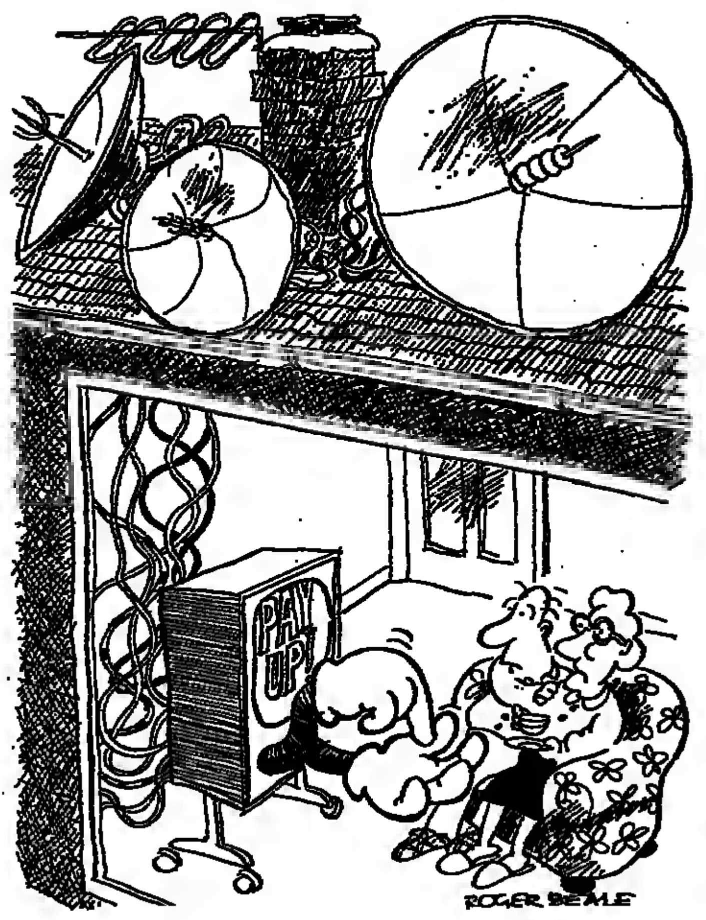
The third area of technical disagreement is the size of the receiving dish, which is balanced against the power of the transmission and the number of channels because the amount of satellite power is limited. BSB has opted for a high-powered satellite, which enables the use of a small, square receiving dish no more than 35 cms across. But there is only capacity for three channels. Astra has chosen weaker transmission, which means larger dishes (around 60 cms in London) but 14 channels.

Although the standards issue is centred on the UK at the moment, it is just a foretaste of what could happen across Europe. For example, France and West Germany have standardised on a different version of Mac, D2-Mac, which has only half the data capacity of D-Mac — four data channels instead of eight. As a result the signals are a narrower band width, which makes it easier to feed them into cable television networks, which are more widespread in France and Germany.

But D2-Mac limits the amount of data for different language sound broadcasts, teletext or data broadcasting. And it means there will be at least three satellite transmission standards in Europe for the forseeable future.

The stakes are high. BSB alone has said it will have to invest up to £650m before it starts making a profit. On top of that are the investments made by Astra and its programmers, and the television equipment manufacturers.

But the market is potentially enormous. David Chance, UK marketing manager for Astra, is working on the assumption that 750,000 households will be watching Astra television programmes by the end of 1989. By 1996 he predicts that 40 per cent of the UK's 21m households will be watching satellite television.



Television to enter the home via the microwaves

THE White Paper heralds the introduction of a new technology for delivering television programmes to the home: microwave distribution, or the multipoint video distribution system (MVDS).

A company licensed to operate MVDS services will pick up television programmes by cable, radio or through a satellite dish and distribute them to homes. What is new is that the final link will use radio waves in the microwave frequencies.

MVDS systems have already been approved for use in the Irish Republic and are widespread in the US. They should be in use in the UK by the early 1990s.

Such systems could carry national broadcast channels or transmit programmes of local interest. They could also be used to transmit satellite television channels. That would mean homes could pick up all the Astra and BSB programmes by using just one aerial.

One advantage of MVDS over cable is that it does not require the streets to be dug up. But because MVDS can only be used if the transmitter is in direct line of site to the aerial, the aerial has to be fixed above the roof line.

Three radio frequencies are under review for MVDS services, at 2.5 GigHz, 12 GigHz, and 30 GigHz and above. The higher the frequency, the shorter the distance the signal will travel. So, for example, a television signal broadcast at 2.5 GigHz could be picked up 37 kms away, but one transmitted at 37 GigHz would only travel 2.4 km. However, although the 2.5 GigHz slot would give a wider coverage, it is also the most crowded.

Customer equipment for systems operating at 2.5 GigHz could be imported from the US and would cost about £250. Equipment operating at 12 GigHz would be approximately twice the price.

Where EC money may be well spent

Clive Cookson examines the case for backing oil and gas research

The European Community's Hydrocarbon Scheme has been highly successful in stimulating technological development in the oil and natural gas industries, according to an independent evaluation.

The research and development scheme is due to come to an end next year, but Smith Rea, the UK-based energy consultancy which has evaluated its achievements, strongly recommends that the Commission should continue it into the 1990s.

So far, the EC has spent Ecu 500m (£330m) on the programme over 15 years. Some members of the European Parliament are opposed to its continuation, because they see it as an unnecessary hand-out of precious EC funds to multinational oil companies, at a time of fossil fuel surplus.

The EC oil policy department, on the other hand, believes that the highly favourable evaluation will strengthen its case for extending the scheme.

Smith Rea assessed 516 individual hydrocarbon R&D projects dating back to 1973, with help from nine experts in particular areas of technology. Their views were combined with data on technical results and financial returns "to develop a balanced view of the programme's relative success."

John Westwood, who co-ordinated the study, says: "When we started, we were surprised to discover how little published work there is on the effectiveness of publicly funded R&D and ways to measure it."

The report conclndes that the hydrocarbon scheme has helped to give the European oil and gas industry technological leadership over the US in several areas of production, prospecting, transport and enhanced oil recovery. Specific achievements include developing the technology which made it possible to build the world's deepest offshore pipeline, the Transmed gas line from Algeria to Italy, and helping BP to develop its single well oil production system (Swops) for exploiting marginal North Sea fields.

According to Smith Rea, the hydrocarbon scheme provided Europe's oil related industries — engineering and service companies, manufacturers, shipyards and so on — with a strong technological base which enabled them to grow during the 1980s, while their US competitors suffered severe contraction.

The scheme is unique among EC R&D programmes in that participants in commercially successful projects are required to pay back their grants with interest. Of the 245 projects that have been completed, one third are already being exploited commercially and their promoters have paid back Ecu 52m.

Enzo Millich, who is in charge of oil policy at the EC, presented the findings of the study to a conference in London recently. He made the point that the large oil companies have received only 24 per cent of the total funds and their share is declining. Offshore equipment manufacturers are winning an increasing share and their projects tend to be the most successful.

Although many EC programmes have a public image of bureaucratic inefficiency, Smith Rea found that this was not true of the Hydrocarbon Scheme. "It has been run efficiently and at less cost than most countries' national schemes," Westwood says.

Although EC funding covers only 35 to 40 per cent of the total cost of most projects supported by the scheme, Millich says that it is "an essential catalyst." None of the 400 proposals submitted to the EC which failed to get funding went ahead.

Millich and Smith Rea insist that it would be shortsighted to scrap the Hydrocarbon Scheme now, just because oil and gas are temporarily in oversupply. They say that it is all the more necessary to help Europe's oil services companies to continue their research at a time when adverse financial circumstances are forcing them to cut their R&D spending. The glut will come to an end eventually, and then the security of Europe's oil and gas supplies will depend on the industry's technological base.

ARTS

More and more ways of communicating less

Christopher Dunkley considers the implications of the Government's White Paper on television

Broadcasting In The Nineties, announced in Monday's White Paper, contained few surprises for regular readers of the Financial Times, to whom all its major provisions have been leaked during the past few months. However it was not nntil the White Paper brought all the details together, and — crucially — presented them in the Government's own language and tone of voice that the truly radical nature of what is proposed became apparent.

This document heralds an age in which Britain will have not two mighty broadcasting structures, one monopolising broadcasting income from the public purse and the other monopolising broadcasting income from advertising, each providing a broad mix of information, education and entertainment programmes. Instead the BBC alone will now take back the mantle of national public service broadcasting which it relinquished in 1955, and after 33 years ITV (which may have fondly imagined it had friends in the Conservative Party dating from the alliance of the early 1950s which fought to bring commercial television to the UK) is to be abandoned to sink or swim in a new, large, shark-infested ocean of de-regulated competition. Nothing in the White Paper has greater symbolic significance than the proposal that "ITV" should now becoma merely "Channel 3."

What will tha Government's schemes mean to the viewer? There now seems no doubt that in the short and medium term the result will be a smaller proportion of high quality programmes, especially in current affairs, drama, documentaries and the like. That is an inevitable corollary of auctioning commercial television franchises. It is possible that, thanks to the other television systems starting up (independent companies operating via satellite, cable and video as well as conventional means) the total number of programmes will rise steeply, so that the number of high quality programmes will rise even if the proportion falls.

From the opening lines of the document the Government insists that it is putting "the viewers and listener at the centre of broadcasting policy" and the White Paper refers repeatedly to "growth of choice" and "enlarging viewer choice." Yet it seems that this means choice of technology. When it comes to choice of content the Government suddenly changes tack and demands that television should be subjected to three more censorship measures: the Broadcasting Standards Council, the Obscene Publications Act, and the new measure aimed against extremists in Northern Ireland. It seems we are to have more ways of communicating less.

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Tha best comedy around at the moment is *A Fish Called Wanda* which was written and produced by John Cleese who also plays the lead. Of course you have to go to the cinema to see it. The description "latterday Ealing comedy" is not a bad one, though tha shades of Monty Python are never far away, but the important thing is that it is very, very funny. Next best is *Fawlty Towers* which was made by the BBC between 1975 and 1979 and is currently being repeated by BBC1 on Tuesday nights. It, too was written by Cleese who once again plays the lead. Third funniest is *Soap*, the American soap-opera parody which, gratifyingly, has started a repeat run on ITV on Sunday nights.

After that there is a large gap before the next best comedy; none of the new sitcoms bears comparison with the Cleese material. *Wyatt's Watchdogs* on BBC1 is one of those suburban-gronp series, this time based on a neighbourhood watch scheme. It suffers from lines such as:

"I had experience of mines during the war."

Refreshing: Alexei Sayle

"Yes, it was always 'mine's a gin and tonic!'"

That is immediately followed in the schedules by *Streets Apart* which seems to be taking its jokes from the same box of crackers:

"Whatever happened to your rock group Dirty Water?"

"It went down the drain."

This series does at least have a basic situation which is marginally different from any other I can remember in a television comedy: two people who had an affair as young adults meet 20 years later and discover the attraction is still there, he having become a cabbie, she a successful literary agent.

The movement away from tha ensemble work with which comedy's new wave arrived on television a few years ago, and the dilution of those groups into one man shows must now be nearly complete. Tracey Ullman, who was so good in *Three Of A Kind* and *Kick Up The Eighties*, is now appearing on BBC2 in *The Tracey Ullman Show*, imported from the USA, and very puzzling it is. Last week's skit about a radio agony aunt appeared to have neither point nor humour.

Lenny Henry, another graduate from *Three Of A Kind*, also has a one-man show on Thursdays, this time on BBC1. His material tends to be funnier than Tracey Ullman's (hers seems to have pretensions towards Drama) but the appeal of the Delbert Wilkins character alone is pretty limited, and however talented Lenny Henry, this series is crying out for better plots.

Mel Smith's break from Griff Rhys Jones to make *Colin's Sandwich*, now appearing on BBC2 on Tuesday nights, seems less than a wild success. There is considerabla potential in Colin, the misanthropic coward created by Paul Smith and Terry Kyan, but Mel Smith appears oddly miscast in the rôle.

Yet for the best of the new comedy work yon do have to look to this sudden outpouring of one-man shows. It is a rather special taste, but for me the most outstanding is *Alexei Sayle's Stuff* on BBC2 on Thursdays. Sayle with his hullet head, tight suits with three huttons fastened, council house background and frenetic approach (typified by "'Allo John, Got A New Motor?") is very different from the Footlights alumnae that we are so used to seeing on television.

It is difficult to imagine a varsity chap, or gel, having the gall to ridicule the "underprivileged" with a sketch about tenants of high-rise flats "standing around the lifts whingeing 'I went to the lavatory two days ago and the council still haven't been round to pull the chain.'" Sayle can get away with that (not least because he also ridicules fat Tories) and very refreshing it is when so mucb time in other series is being put into satirising that virtually non-existent creature the yuppy.

The sad thing is that so many of the new comedy series fall at the first hurdle which is that very simple question: do they make you laugh? All too often it is the old fashioned programmes which succeed most in this, sometimes against the better judgement of the viewer. It gives me little satisfaction, for instance, and even involves a degree of shame, to admit that *'Allo 'Allo* makes me laugh.

The formula appears to be based on that of the 1940s radio series such as *ITMA* which consisted of a long chain of loosely connected skits, each designed to highlight a different regular character, many of them with silly voices or catch-phrases: Mind my bike; Can I do you now sir; After you Claude, No after you Cecil; I go — I came back; and so on.

'Allo 'Allo takes a precisely similar approach. The Englishman who cannot speak French, and is disguised as a gendarme, speaks execrable English to convey the idea: "I 'ear the Germans are licking for René. . . . I 'avc brought 'im a disease — it is a policeman's out-fart." Each week Michelle has to say "Leesten veree carefully, I weel say zees only once." Truc, thc situation changes (hiding British servicemen, stealing a German scout car etc) hut it could be argued that each script is, in a way, a rehearsal for the following week.

If polishing does make comedy scripts better (and it hardly seems in doubt) it is difficult to avoid the suspicion that Cleese's material is so superior — so mucb funnier — than most of what we are offered simply because he works at it that much harder. He is famous in the industry for re-writing and re-writing his scripts, and that hard work pays off.

Stephen Andrews and Chris Sculthorpe in "The Heart of the Dog"

Alastair Muir

The Front Lawn and Heart of a Dog

HALF MOON THEATRE

The Edinburgh fringe, like any rich meal consumed in haste, has a habit of repeating itself at leisure. In the case of Cambridge Youth Theatre's award-winning treatment of *The Heart of a Dog*, a satirical fable by Mikhail Bulgakov already hailed on this page by Michael Coveney as one of the gems of this year's festival, the repetition is wholly pleasurable. It moves on to Stepney's Half Moon theatre in tandem with a two-part piece by New Zealanders Harry Sinclair and Don McGlashan which is more of a mixed blessing.

The Front Lawn belong (pace Bulgakov) to that new breed of performer devoted to exploring the intersections of cabaret, music and drama. Their first piece, *The Story of Robert*, uses a simple narrative of towny Robert's adventure at a country party as a frame for a series of clever routines. There's a "How're ya doin'" jog, performed running on the spot, which sums up the breezy insincerity of the Aukland yuppie; there are several references to dated musical tastes of country folk as; electric guitar throbbing, the duo enact a dance-floor confrontation between the visitor and a jealous boyfriend; there is an amusing variation on the picture-show sequence, involving a flashing light and some very quick costume changes. It is all funny enough, but there comes a point when one looks for a cohesive vision, a point to all the exercises that simply isn't there.

The sense of having seen it all before intensifies with *The Reason for Breakfast*, an explosion of meal-time manners which sends tea and toast scudding around tha table (beware the front row) and transforms mugs and jam jars into impromptu percussive instruments. Another duo, Ralph Ralph, explored the percussive potential of the table in their performance piece *The Summit*, recently retired from the repertoire after many months on the road. But Ralph Ralph use it as the technical means to a thematic end, while The Front Lawn — accomplished as they undoubtedly are as performers — have yet to find their theme.

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No such problem exists for Cambridge Youth Theatre, whose performance under the direction of Jenny Culank and Claudette Bryanston Cross is fired with a technical inventiveness that is never allowed to overtake its subject. Bulgakov's satirical novella, written in 1925 but unpublished in the Soviet Union until last year when it was promptly adapted for the stage, is a variation on the Frankenstein story involving the transplantation of human organs into a common cur.

The cur remains doggedly common, despite its human shape — a reflection on both the unenlightened proletarian and the arrogant professor who refashioned him, and who later sends him back, lobotomised, to the doggy basket to end his days in stupid contentment. Chris Sculthorpe's bulldoggish Fido and Stephen Andrews' smooth professor lead a chorus who double as doors, mirrors, even sausages under the imaginative and impeccably disciplined choreography of Liz Hale.

Claire Armitstead

Theatre de Complicité

ALMEIDA THEATRE

The most intriguing little festival in town, a celebration of Theatre de Complicité, continued at the Almeida last night with a double bill of music theatre pieces divided by a startling rarity — a composition for solo tuba.

Complicité obviously believe that if she's a lady, she must be a tramp. After last week's Scottish bagladdy with delusions of being a Madonna, we have the dotty Australian model for Dickens's Miss Havisham in Peter Maxwell Davies's *Miss Donnithorne's Maggot* (1974), and a Charing Cross dosser with tales of first and last love in David Sawer's and Nick Dear's *Food of Love*, seen earlier this year at the Almeida Music Festival.

When Miss Donnithorne first appeared with the Fires of London, I understand she did so imprisoned in a large wedding cake. This much is certainly implicit in Randolph Stow's text of eight sharp and lyrical songs. But Annabel Arden's production creates a typical Complicité ruck of bedclothes beneath a naked light bulb from which Lore Lixenberg (a talented student at the City University) emerges to chase maggots, pluck a cabbage, dream of her bridegroom and fondle a banana.

The score covers a tumult of emotions in half an hour, soaring and scraping and leaving much room for comic intonation. The small band under Jeremy Arden's incisive direction play not only wind, percussion and string instruments, but also balloons and metronomes.

After this trenchantly exhilarating display, David Sawer's piano score, played by John Flinders, sounds exiguous and banal. Celia Gore Booth's foul-mouthed baggage knocks at an upstage door and announces her arrival for the night. Schubert's song cycle "Die schöne Müllerin" is evoked in her list of country lovers dying in the babbling brook.

But London has warm art galleries and companionable alcoholics. She stands ecstatically on the piano, briefly transfigured, before bedding down underneath it. The pianist takes a bow and leaves.

As a quirky interlude, Kevin Morgan plays Jeremy Arden's *Escape for Tuba* as a sustained and rumbling fart that windily dissolves in belches, squeaks and frisky little yelps. Danny Kaye's Tubby the Tuba touchingly graduated from oompah to melody. This chap stays clapped in the gastric irons of an inconsequential orchestral part. And very funny it is, too, like a rude Hoffnung skit.

Michael Coveney

The Classical Romantics

BARBICAN HALL

With festivals devoted to Beethoven, Shostakovich, Schoenberg, Reich and Bartók all jostling for a share of public attention, it is arguable whether there is place at the moment for yet another series of concerts on a given theme.

The music of Schubert and Mendelssohn is unlikely to benefit much from the series treatment, as Schoenberg most notably has. But at least, by dividing events between the Wigmore Hall and the Barbican, the organisers of "The Classical Romantics" have been able to provide a proper balance between music of the salon and concert-hall, while a Schubert exhibition from Vienna gives their series a central educational focus.

The Barbican half of the programme began with an attractive concert on Saturday night. Its opening work was Mendelssohn's Italian Symphony: not the headlong rush of high spirits that the symphony can be, but endowed by Colin Davis with a smiling beneficence that sang through in every line. Perhaps an extra rehearsal or two had been allowed for this opening concert, as the playing of the London Symphony Orchestra here was unusually cultivated in tone.

Indeed, so relaxed and songful was this performance that it is tempting to say Davis was making Mendelssohn sound like Schubert, a feeling further encouraged by the obvious sympathy that he brought to the E flat Mass of Schubert himself after the interval. In this work pages of the most true Schubertian inspiration lie alongside choral writing that is dutiful at best and it is to Davis's credit that the disparity was so little felt.

The outstanding movement of the piece is the "Et incarnatus", a seductive and long-breathed trio for soprano and two tenors that unfolds with the slow, lilting grace of a barcarolle. Tenor One enters first (Alejandro Ramirez recovering well after a flat start) and as the soprano and second tenor (Edith Wiens and Aldo Baldin) weave their vocal lines around his, one senses Schubert at last snapping shut the academic rule-book.

In this performance all the soloists, including mezzo Anne Mason and bass Rainer Scholze, were more than capable; the choral contribution a little less so, with the London Symphony Chorus wanting a firm tonal focus despite (or perhaps because of) its numbers. As a bonus, some original manuscript parts for the Mass could be seen in the exhibition upstairs.

Richard Fairman

Matrix Ensemble

ELIZABETH HALL

The recently formed Matrix Ensemble, conducted by Robert Ziegler, gave the second of two all-American programmes at the Queen Elizabeth Hall on Saturday night. Carl Ruggles's monolithic piece for chamber orchestra *Men and Mountains* (1924) made an imposing start, which was in maximum contrast to the next items — two lightly-textured realisations (by Yvar Mikhashoff) of the memorably complex but often jazzy "Studies for Player Piano" by Conlon Nancarrow. The first (No. 14) had a flute, oboe, violin (mostly in high harmonics), bass clarinet and double-bass spitting out sounds in a radiant dance. The second (No. 16), placing a quintet of woodwind and violin players against an eruptive trio of brass, with double-bass for lynch-pin, ticked and pulsed magnificently, like a piece by new, euphonious Harrison Birtwistle.

Of Jacob Druckman's *Lamia* (1986) — settings for mezzo-soprano (Sue Bickley) and ensemble of eclectic texts on female sorcery — little need be said. Eclecticism marked its music: taking a bag of tricks from Lutoslawksi, Druckman deakes in an assortment of other modern devices, and fills it up with a long quotation from Cavalli. The piece is cleanly, "effectively" written, and altogether superfluous.

Aaron Copland's *Music for the Theatre* (1925), a jazzy excursion scored for an 18-piece band, reminded one, as his music always does, that every note in a piece must count; even his *tuttis* have absoluta clarity, and no-one writes more purposefully than he for solo instruments. These five shortish movements added up to quite a substantial structure, following which was all the more rewarding after the otioseness of *Lamia*. Matrix's account was idiomatic and relishful.

Charles Ives's *Three Places in New England* (1929) was grippingly done in the chamber version in which the work — though conceived for, and these days usually played by, full orchestra — was actually premiered. The extra prominence given in this version to the piano (Clive Williamson) put one in mind of Berg's orchestration (in *Lulu*, for example) and alerted one to the Bergian, Schoenbergian sonorities that fortuitously abound in the score along with more obvious Mahlerian ones.

One wondered, too, whether Ives's penchant for hymns and marches to distort wasn't so much a tribute to the culture of his region as a defensive means of preserving recognisability in the threatening atonal world into which he was irresistibly drawn; just as Schoenberg preserved classical outlines in his revolutionary twelve-tone music. Ives was, is, as disturbingly "modern" as Schoenberg; indeed the multi-layered climactic pages of "Putnam's Camp" are avery bit as daunting as an orchestral piece by Brian Ferneyhough. Robert Ziegler pumped them hard.

Paul Driver

ARTS GUIDE November 4-10

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (638 8891). Nov 4,5,11-15.

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's revival (379 5399).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).

Bartholomew Fair (Olivier). Successful Victorian transposition of Ben Jonson's sweaty masterpiece with ferris wheel fairground setting and much zanily eccentric acting in Richard Eyre's National Theatre company. (928 2252). Nov 17-19, 26-29, Dec 3-10.

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Dec 17-23, Jan 5-10, 19-21.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Utrecht

English Shakespeare Company opens its Dutch tour of all the history plays with Richard II (Tue), Henry IV, Part 1 (Wed) and Henry IV, Part 2 (Wed). Stadsschouwburg (31 02 41).

Groningen

The English Shakespeare Company continues its Dutch tour of all the history plays at the Schouwburg with Henry V, Part 1 (Fri), Henry VI, Lancaster (Sat) and York (Sat) and Richard III (Sat), moving to its final venue in Amsterdam. (12 56 45)

Amsterdam

Richard II (Tue), Henry IV, Parts 1 (Wed) and 2 (Thur) Stadsschouwburg (24 23 11).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Driving Miss Daisy (Eisenhower). Julie Harris stars in the Pulitzer Prize winning play about a black chauffeur and his elderly, understanding mistress as the South undergoes sweeping changes that cannot help affecting them. (254 3670)

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3679).

Tokyo

Kabuki, performances at 11am and 4.30pm. The mixed morning programme includes a seasonal piece, Momoji Gari, or The Maple-Viewing Party, featuring a spectacular transformation of a woman into a demon. In the afternoon programme, Kotobuki Soga no Taimen, or the Soga Brothers Confront their Enemy, a tale of vendetta is written and performed in the bombastic, highly theatrical "aragoto" style. Among the artists appearing this month is 71 year old "living national treasure", Nakamura Utaemon, who specializes in female roles. Excellent programme and earphone commentary in English. Tickets available for a single act. For details, enquire at the theatre. Kabuki-za (541 3131).

Hans, stage version, in Japanese, of the old Danny Kaye vehicle, including Wonderful Copenhagen, Thumblina, etc, about Hans Christian Anderson. Performed by Japan's leading musical company, Shiki. Aoyama Theatre (0120-489444)

Gorky Theatre, of Leningrad in Peter Schaffer's Amadeus (Mon, Tues, Thurs), Uncle Vanya (Wed) The Bolshoi Drama Theatre, better known as the Gorky Theatre, was founded in 1919 and is one of the Soviet Union's most popular and most innovative companies. Its repertoire is strong on both the classics and on new plays by Russian writers. In recent years its repertoire has been widened to include new, if uncontroversial works from the West, by the likes of Schaffer and Neil Simon. Globe Theatre (572 6331).

SALEROOM

Prints popular in US

Phillips had an important picture to sell yesterday. It was "Tha Kings Orchard" by Arthur Hughes, a committed follower of the Pre-Raphaelites.

This colourful painting of three children in medieval costume beneath a cherry tree was regarded as one of Hughes's better efforts and sold for 200 guineas after it was exhibited at the Royal Academy show of 1859, but the price of £110,000 yesterday was at the bottom of the pre-sale estimate. It went to the London trade.

The sale of 19th century paintings was rather lack lustre with a total of £223,028 and 35 per cent unsold. There was interest however in some plaster casts by the Victorian artist Thomas Woolner. A medallion of Tennyson sold for £2,000, as against a top estimate of £300, and a 5 inch high portrait of a girl made £2,500, also way above forecast.

Sotheby's three session Japanese auction produced a total of £1,398,232, with a reasonable 10 per cent bought in. The top prices yesterday were the £44,000 (within estimate) paid by a Japanese private collector for a six fold screen of views of Kyoto painted in the late 17th century by Sumiyoshi Gukei. Among the cloissone a Meiji period koro and cover, on a wooden stand, almost doubled its estimate at £28,600, to Davies, the London dealer.

Christie's had mixed fortunes with its anction of prints. Two of the top lots, 36 architectural prints after Gaetano Savorelli, and 13 engravings after Francis Wheatley of the "Cries of London," were bought in at £19,000 and £5,500 respectively. The top price was the £10,450, at the bottom of the estimate, which secured an album of twenty life size heads by the 18th century artist Thomas Frye.

Some extraordinary prices have been paid in recent days for prints in New York. Perhaps collectors are resigned to acquiring prints produced by the world's greatest artists because the originals on canvas are so expensive.

Sotheby's sale of contemporary prints totalled £3.2m ($5.7m.), with only one per cent unsold, while its auction of 19th and 20th century prints realised £4.48m, with 5 per cent unsold.

Among the artist records were the £153,118 paid for "Flag I" by Jasper Johns, one of an edition of 65 produced in 1973 and depicting two American flags, and the £183,741 from a European private collector for a coloured Toulouse-Lautrec lithograph of the female clown Cha-u-ka-o, one of an edition of a hundred.

Antony Thorncroft

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Wednesday November 9 1988

Questioning hostile bids

HOSTILE takeover bids are never likely to commend themselves to all the participants at the annual conference of the Confederation of British Industry. Indeed, a director general of the CBI who offers an unqualified defence of the practice is likely to cause a far bigger stir than Mr John Banham will do with his call for specific changes to make life harder for corporate predators.

What is disturbing is that all the running in this debate is being made by those who are advocating greater protection for British companies and for entrenched managements. The advantages to the UK of an unfettered market in corporate control and for a liberal approach to inward investment by foreign companies are in danger of being forgotten.

Since two Swiss companies, Nestlé and Suchard, engaged in a contested bid battle for the British food concern, Rowntree, earlier this year, the perception has grown that Britain offers by far the easiest entry point into the European single market. There are fears that openness could ultimately cause Britain to come uncomfortably close to a satellite economy in the wake of numerous foreign acquisitions.

Danger of retaliation

But the UK has plenty of large companies which are actively seeking acquisitions on the Continent and elsewhere. Any move by the UK to put barriers in the way of foreign predators would almost certainly provoke retaliation and diminish overseas opportunities for British business.

There is a more valid concern about highly leveraged takeover bids in which the logic begins and ends with the fees earned by the banks involved. Clearly long term investment plans can be put at risk where the chief priority is to reduce the debts resulting from a successful bid.

Mr Banham is also worried that shareholders will fail to recognise just how far British industry has pulled itself up by the bootstraps when they come to consider a seemingly generous bid.

The last point has little force, in that an ungenerous offer for an efficient British company is likely to be capped by a more generous bid from a British industrialist who does understand the extent of the gains in productivity that have taken place over the past 10 years. The problem for the defending industrialist is more that an outside bidder will always pay a premium for control over any given stock market valuation. That difficulty is compounded where the victim has failed to communicate adequately to institutional investors the case for a capital investment programme or the value of brand names.

Reciprocal access

Far more difficult is the question of reciprocal access to other markets. If there was any evidence that foreign bidders had nothing to bring to the management of British firms it might be easier to sympathise with worried industrialists. But the evidence is that the injection of management and technology by foreign companies has been highly beneficial to the British economy. There is no doubt at all that Britain cannot afford to play fast and loose with reciprocity: as the second largest foreign investor in the US it has too much to lose.

There is a distinction between an active market in corporate control and one which is over-tolerant of the froth that tends to emerge in every bull market or takeover boom. Any business that seeks a quotation must acknowledge that part of the price that has to be paid for access to risk capital is the healthy discipline that comes from the threat of a hostile bid. And specific restraining measures are not easy to frame.

Mr Banham is probably on safe ground in arguing for more time and information for investors in takeover situations. His suggestion that industrialists, in their capacity as pension fund trustees, should not leave decisions about takeover bids to fund managers who live with three-monthly investment performance surveys constitutes a welcome recognition that short termism often starts in the industrialists' own pension funds.

The battle over rice

WITH HIS qualified rejection last weekend of the Rice Millers' Association's complaint against Japan's refusal to import rice, Mr Clayton Yeutter, US Trade Representative, has neatly sidestepped an issue that could still be one of the most explosive in bilateral trade relations between the two countries. By comparison, past farm sector quarrels over products like beef and citrus would pale into insignificance.

Mr Yeutter said the Reagan Administration would take no action on Japanese rice for the time being. But he also put the Government of Mr Noboru Takeshita on notice that he would reconsider this decision if Japan blocked progress on world farm reform at next month's ministerial meeting of the General Agreement on Tariffs and Trade in Montreal. Though he was right to avoid a head-on collision at this stage, Mr Yeutter is justified in using the Rice Millers' complaint to keep op the pressure on Japan, taking care as he does so not to be unrealistic in his immediate expectations.

Japanese constituency boundaries ensure that the farm lobby wields inordinate influence over the ruling Liberal Democratic Party. With strong backing from public opinion, it argues that opening the domestic market to imports would make domestic cultivation unviable. Countless small farmers would be driven into bankruptcy; national security would be threatened since Japan would depend on imports for a staple foodstuff; and the traditional way of life in Japan's countryside would disappear.

Oil imports

These arguments are far less powerful than the emotions engaged. The production of rice depends on fertilisers and fuel that are derived from imports of oil, which are arguably less secure than imports of rice. Again, the great majority of small farmers enjoy sources of income other than rice farming. Finally, with the rapid ageing of the farming population, the traditional way of life in the countryside is, in any case, doomed.

Even within Japan there is awareness that reform is inevitable in the long run. Mindful of the need to avoid trade disputes that could spill over into other areas, the Keidanren, Japan's employers' federation, has come out in favour of such reform. In the past two years the Government has twice reduced the support price for rice.

It is wrong to argue, as Japanese officials sometimes have, that Japan should be excused the rigours of farm reform because it is a net food importer. The mandate for the Uruguay Round quite rightly avoided distinguishing between export subsidies and other forms of assistance, taking the view that all measures affecting agricultural trade should be on the table.

Biting the bullet

Agreement to liberalisation of agriculture within the context of the Uruguay Round is, quite simply, in Japan's own interests. It would remove economic distortions, reduce food prices and promote efficiency. At the same time, liberalisation of agriculture is the *sine qua non* of success in the Uruguay Round as a whole. That success, in turn, is a necessary condition for the health of the multilateral trading system that has contributed so much to Japan's prosperity. In short, willingness to bite the bullet on agriculture is the greatest contribution that Japan can make to preservation of liberal world trade.

For Japan to take a lead in the Uruguay Round discussions on agriculture would also obviate the widely resented bilateral pressure from the US. At present, such pressure is inevitable, because the record shows that insistent external pressure frequently makes Japan see change as a matter of self-interest.

Overnight liberalisation is out of the question, especially given the delicate state of Japanese politics at present, but it is not required. What is needed is simply a commitment to liberalisation within the Uruguay Round, with the liberalisation itself occurring only thereafter. The world may expect nothing more enlightened than a bitter rearguard action against such a commitment, but it is also justified in being disappointed.

Nick Garnett looks at the effect British Steel's impending privatisation will have on its position in the world steel market

Measuring up to great expectations

Buried away in the middle of a recently published 90-page US study of world steel production is a small, rather nondescript table. A comparative study of major steelmakers in the main nine steelmaking countries, it estimates their overall pretax costs for making steel this year.

Few UK companies in any industry appear near the top of international league tables on costs and productivity. But in this study, conducted by analysts PaineWebber in New York, British Steel comes out on top. Its pretax costs, at $415 per tonne, are slightly lower than those of South Korea, Brazil and Taiwan – the vanguard producers among the newly industrialised countries – and way below other steelmakers like West Germany, Japan and France.

This week, Sir Robert Scholey, chairman of British Steel, is bouncing around the world promoting the company to financial institutions ahead of its privatisation later this month after 20 years in state ownership. It is figures like these which should make his "selling" job a success.

But once the hullabaloo that surrounds the largest UK flotation of an industrial company is out of the way, British Steel will find itself in a new game. Not only will it have to earn sufficient returns to feed the investment demands of a modern steel producer (about £300m a year), it will also have to crank out an increasing return for investors.

British Steel is now a big cash generator. Its expected pre-tax profits of £550m this year make it one of the world's leading profit-makers in steel. Yet the welter of glowing reports by analysts and the 100-page share prospectus issued last month leave many questions unanswered:

● The world steel market is likely to shrink – by 5 per cent next year, according to the International Iron and Steel Institute. The European market, on the same forecast, will drop by 1.4 per cent. Against that background, how will British Steel achieve real long-term growth?

● British Steel operates out of a small domestic base; it has only 4 per cent penetration of the huge West German market (which has many large, prime-quality steel users). In the long run, facing these harsh facts, can British Steel hope to continue its rather anomalous distinction of being Europe's outstanding steel profit-maker?

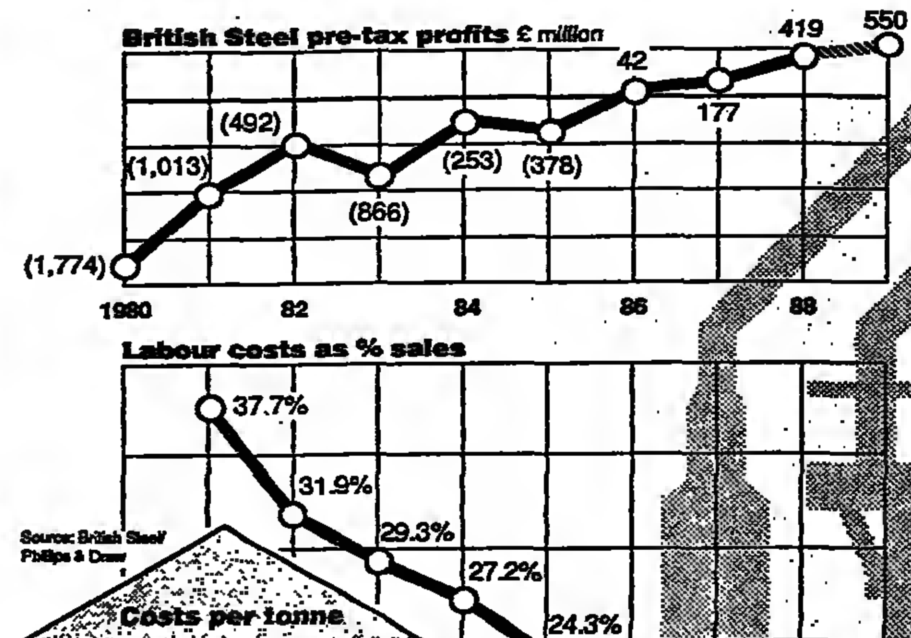
● To secure its position in Europe, British Steel is thought to be considering a big joint venture with, or an outright purchase of, a Continental steelmaker, most likely in West Germany. Can British Steel successfully complete such a manoeuvre – then make the partnership work?

● The company's UK production structure of five integrated steel plants is one – probably two – sites too many. How fast will it rationalise its operations?

Overall, "the question facing investors is how will British Steel move to exploit its managerial and technical advantages in a newly liberalised European market," says Mr Jonathan Aylen, senior economics lecturer at Salford University. "Can British Steel achieve growth in turnover and profits by making the most of its current position in the market?"

British Steel has just negotiated a £500m standby financing facility for use after privatisation, a sign that something is on the cards. But the answers to these questions are not yet known because, prior to flotation, the emphasis on selling the company has been less on prospects and more on the way it has dug itself out of the pit of past losses.

That has given the company plenty to shout about. It absorbed £8bn of state aid since the late 1970s. But since it racking up an operating loss of £588m in 1980 (and a total loss that year after exceptional items and tax of £1.78bn) it has transformed itself.



Costs per tonne

US $	Operating costs*	Financial costs	Pre-tax total
US	430	40	470
Japan	460	95	555
W.Germany	468	45	513
UK	390	25	415
France	445	70	515
S.Korea	319	100	419
Taiwan	338	90	428

Source: PaineWebber * Includes depreciation, interest & local taxes

Since 1980, the number of British Steel employees engaged in steelmaking has been cut by 58 per cent while its liquid steel output has risen by 24 per cent. Man hours per tonne of steel have dropped from over 14 in 1980-81 to five. Over the same period, energy use per tonne has been lowered by 12 per cent.

In 1979, British Steel had seven integrated sites (21 in 1970) and a workforce of 135,000 (180,000 in 1975). Now it has five sites and a workforce of 51,600. Along with this has come a new structure of semi-decentralised business groupings. And there has been a wide-ranging shake-up in labour practices with many types of demarcation abandoned. "In recent years, British Steel has done an exceptionally good job," says Mr John Safford, director-general of the UK steel consumers council.

So far, so good. But any large industrial business is a tough animal to manage and keep on the right track. British Steel is no exception, particularly as it operates in a highly cyclical industry – one in which there is perhaps 20m tonnes of steel production overcapacity in Europe alone.

British Steel faces several obstacles to steady growth. One is currency. The company is a purchaser of large amounts of raw materials. About 38 per cent of British Steel purchases are traded in dollars, including £388m of coal last year, £400m of iron ore and £711m of ferrous alloy. Yet one estimate showed that about 20 per cent of revenue is D-Mark determined, with virtually no offsetting purchases in the West German currency. A big currency move in the wrong direction for the company could eat into profits, though British Steel denies that this could be by as much as the £250m suggested by some analysts.

The company has been enjoying exceptional demand growth, particularly in the UK domestic market, but this is unlikely to last. Steel consumption jumped 16 per cent in Britain last year and increased 30 per cent for structural steel sections. UK prices have also risen over the past 12 months by 4 per cent, while the surge in stainless steel prices has been sharp enough to lead the EC Commission to decide that a number of companies, including British Steel, have been operating a cartel.

Even so, some of British Steel's competitors might start catching up with its costs. The PaineWebber study estimates that the variation of $140 in the pre-tax costs per tonne of steel for the major steelmakers will shrink to $60 by 1992, with the biggest advances in France.

Perhaps there will be no unpleasant currency shifts; perhaps the company can retain its cost advantage. Share flotation brokers representing British Steel might be right in claiming that the company could sustain a pre-tax profit of £800m for at least a few years. But British Steel needs growth and a plumper cushion against financial upsets.

It can achieve some of this from building on its existing assets. For example, its production costs flatter its efficiency. It is a good producer but not the best. The delayed Monopolies Commission report on the company, published this year, questioned whether it was spending enough on capital investment. The PaineWebber study estimates that British Steel has by far the lowest depreciation and interest expense and taxes of the main steelmakers. Excluding these three elements, its operating costs are around $100 a tonne more than that of Posco in South Korea. Compared with some of its European competitors, it also has much lower labour rates – $13.50 an hour against $20 in West Germany – according to analysts at Phillips & Drew.

Nevertheless, there is still room for efficiency gains. About 80 per cent of British Steel's output is by the continuous casting method rather than the ingot method, lower than the 93 per cent in France and 88 per cent in West Germany. Continuous casting yields an average saving of £16 a tonne: British Steel clearly has potential savings there. Adopting best practice in energy use could save another £5 a tonne. And British Steel's five man hours per tonne of steel is bettered by Hoesch, the efficient West German producer. Japanese producers, the leading steel technologists, are heading towards three.

There are also potential savings, in the medium term, from rationalising an overcomplex plant structure. British Steel produces 16m tonnes on five sites. West Germany's Thyssen produces 11m on a single site; Hoesch produces 4m on one site. For British Steel, the eventual closure of Ravenscraig in Scotland and possibly Scunthorpe on Humberside could save around £80m a year in operating costs for each site.

British Steel can make further gains by building up its stockholding and marketing operations. Its network of distribution outlets in Europe is feeble – especially when compared with a company like Thyssen – but it has been buying up stockholding companies, particularly in Germany. And its skill in marketing steel for construction might bring it a lucrative opportunity in Continental Europe where reinforced concrete still rules supreme.

Growth is also likely from the company's heavy investment in higher value-added products, particularly in coated steels used in the vehicle, packaging and construction industries. It recently announced a £59m galvanising line at Llanwern and another £50m annealing line at Trostre in Wales. Galvanised steel, with a coating ready for direct painting, is a big growth sector in the motor industry.

None the less, it is unlikely that these actions, by themselves, will be enough to allow British Steel to achieve sustainable long-term growth. Partnerships or takeovers might be the solution. British Steel could try to set up a deal, for example, to supply slab (semi-finished) steel to West Germany's high cost steel makers. There could also be scope for a cross-border deal in plate and tube, where British Steel's operations are not up to scratch.

Hostile take-overs in steel are virtually impossible. And the most complex cross-border partnership, between Hoogovens of Holland and Hoesch, broke up. Many potential targets have bid-blocking clauses in their corporate charters. But there could be some opportunities soon. In West Germany, Deutsche Bank has seats on the supervisory board of several steelmakers and is thought to be increasingly unhappy at their performance.

British Steel expects that some European steelmakers will get out of all or part of the industry, leaving good pickings for those which remain. That has still to be proved. But there is another imperative for getting deeper into Europe, and for doing it quickly. Big steel consumers, particularly the car companies, are forging closer links with steel suppliers on technology, quality and delivery. "It looks as if there could be a carve-up across Europe between steel suppliers and big consumers," says Mr Aylen. "Big consumers provide suppliers with real cash flow. If you don't have a big presence in Germany perhaps you can't be a supplier to a really big car company."

British Steel is well placed in this respect. It recently replaced one electro-galvanising line at Shotton, Wales – with help from Sumitomo of Japan, say people in the industry – in anticipation of a possible contract to supply steel to Nissan's car plant in the north-east of England.

"British Steel has the inherent potential of remaining a highly competitive European producer," says Mr Safford. That is certainly true, as the privatisation hoopla will emphasise. But the means it will employ to try to do that are not yet clear.

OBSERVER

President and Prince

■ President Mitterrand has always had a knack of using royalty for his political advantage. On Monday he hosted a glittering party in the Elysée Palace in honour of the the Prince and Princess of Wales on the first day of their first official visit to France.

Prince Charles was a great hit speaking in French. "He's not as good as the Queen, but he doesn't have Ted Heath's problem with the accent," said one British Foreign Office official who helped work on the draft. Princess Diana was an even bigger hit by sporting a Chanel dress to cross the Channel.

In fact, the original invitation came from Jacques Chirac, the former Gaullist prime minister and Mayor of Paris who ran unsuccessfully against Mitterrand in this year's presidential election. Mitterrand had dragged his feet over the visit and only gave the green light after his re-election.

Since his defeat, Chirac has virtually disappeared from the political limelight. Yesterday he staged a brief comeback by hosting a big party for the royal couple in the Paris town hall. But even that appeared to underline the current state of disarray of his Gaullist RPR party. Just before the Prince and Princess arrived, Chirac's party organisers were desperately trying to fill op the empty places. "It's disgraceful to see so many empty seats," said one town hall official who was dragged down from his office with his colleagues to fill up the spaces. "If I had known, I could have got 300 militants only too happy to come."

Prince Charles did his best to cheer Chirac up by praising his energy and enthusiasm, but on the French political scene today the former Prime Minister is almost invisible while Mitterrand reigns supreme.

Wrong date

■ Chancellor Lawson is slipping on his facts. He told the House of Commons on Monday that Neil Kinnock was the first Leader of the Opposition to have directed a private notice (emergency) question to a departmental Minister for 34 years. He must have been referring to a private notice question which Hugh Gaitskell put to R A Butler on May 11 1954 about discussions on Anglo-German trade and finance. Gaitskell was still Shadow Chancellor, not leader, at the time.

"According to this there's opera on all 25 channels."

US numbers

■ The main talk on American election night was all about turn-out. Would it fall below 50 per cent and what would it mean if it did?

For the record, the lowest turn-out in a US Presidential election since 1832 was 51.1 per cent. That was in 1948 when Truman came from behind to beat Dewey. The highest was 63.1 per cent when Kennedy beat Nixon in 1960. The turn-out in 1984 was 53.3 per cent, almost the same as in 1980 when Reagan won his first term. The falling trend began after 1960, and the sharpest single drop was in 1972 when Nixon defeated McGovern on a turn-out of 55.4 per cent.

John Roscoe, who owns a string of supermarkets in California, has issued bags labelled: "Don't vote, it only encourages them." And a prominent American television commentator, Jeff Greenfield, was going round saying: "If you don't care, don't vote."

Yet it seems to me perfectly reasonable not to vote if you do not mind who wins and if you see no great difference in practice between Bush and Dukakis. Indeed you could argue that in this case a low turn-out is a tribute to the electorate's maturity. So not too much need be read into the results if the figure this morning is less than 50 per cent: certainly nothing about the decline of democracy.

Male Vogue

■ Another little bit of America arrives in the UK this week with the appearance of GQ, an ultra glossy magazine aimed at men. In the US GQ is one of the great publishing success stories. It began life as a fashion supplement to Esquire, but broke lose 30 years ago and now out-sells its parent with a monthly circulation of 700,000.

GQ had a little problem around 1980 when it flirted with the gay market, but a new publisher soon put a stop to that. The UK's publisher, Stephen Quinn, is going for a resolutely macho image, even so far as having Michael Heseltine on the cover of the first issue.

That will take some people back a few years. Heseltine was the publisher of an attempt in the early 1960s to get men to buy their own magazine: Town. It was defeated by the advent of the colour supplements.

Quinn claims that GQ is arriving at a time when the market for men's fashion, and fashion accessories, has finally taken off. There will 168 pages of advertising in the first issue of 274 pages. The research suggests that there are 250,000 AB males in the UK who need some guidance on their life style. Quinn is hoping to land 60,000 of them.

Latin sex

■ The fuss about the statutes at Cambridge University need never have taken place. The furore was all about using gender specific pronouns. The problem would not have arisen if the University had not decided to translate the statutes from Latin into English during the 1850s. The original text made no reference to either sex and the sexist pronouns were only introduced during translation.

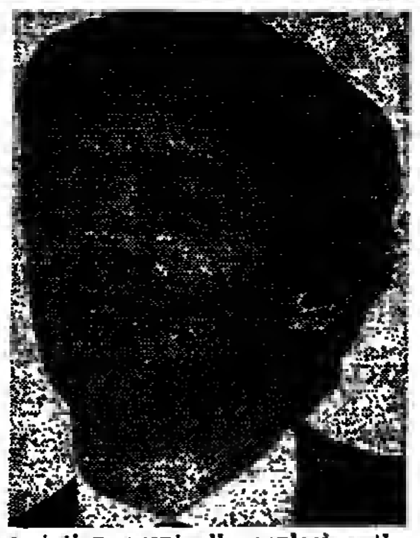
Really helpful

■ A reader tells us that he was driving down the M1 badly in need of petrol. He saw a sign saying "Services – 18 miles", so he turned off near Rotherham. "Is there a filling station down that road to the left?" he asked a local. "Nope." "Is there one on the road to the right?" "Nope." "Well, where do you get petrol round here?" "Don't have a car, do I?" said the local, who then tipped his cap and walked off. It was at this stage that our reader, who has a London address, says that he realised that Northern Culture is still alive and well.

Raymond Snoddy on challenges opened up by the broadcasting white paper

In from the cold for frustrated entrepreneurs

Richard Dunn ●



● Michael Green

The broadcasting white paper presented by Mr Douglas Hurd, the Home Secretary, on Monday could create a host of new broadcasting millionaires – and some unhappy bankrupts.

The scope for new business arises from a big increase in the segments of television hours that would-be moguls can apply for rights to use. And several hundred new potential broadcasters *will be let loose on local and community radio stations.*

For Mr Timothy Facer, of Haverford West in South Wales, deregulation means the chance to broadcast eight to 10 hours a day of commercial radio to what was the old county of Pembrokeshire – financed by advertising revenue, he hopes, of £250 a day.

For Mr Richard Branson, *founder* of the Virgin group, the potential prize is a slice of prime time on the planned new national Channel 5 and, with it, millions in advertising revenue.

He will have lots of competitition: most of the big opportunities, such as the new Channel 3 commercial regional licences, will be sold off to the highest bidder. Other potential openings include the new night-time franchises to be created on both ITV and on one of the BBC's two television channels. And the Government's intention to break up the unitary nature of the television industry – separating functions such as transmission from production – will create a new class of private business opportunities in relaying high quality broadcasting signals to the consumer.

Every technological hare has been allowed to run. At the local level, there will be the opportunity to launch new local television companies using high frequency microwaves to relay as many as 30 channels over a radius of 20 miles – a rival to cable television.

All this enterprise comes with a Government health warning. "Government should not try to pick winners. There is no question of betting with public money on any of the opportunities now opening up," the white paper says.

Mr David Glencross, director of programmes at the Independent Broadcasting Authority whose style of detailed regulation is to become redundant, says the Government's policy "puts money at the heart of consideration of British broadcasting for the first time."

One of the more obvious winners is Mr Michael Green, chairman of Carlton Communications whose agreed bid for Thames Television was once blocked by *the IBA. "It is a very interesting new television age,"* says Mr Green whose television services company owns a 20 per cent stake in Central, the Midlands ITV company, and Zenith, one of the largest independent programme production companies. He says: "We are talking about choice, real choice across the whole range of programmes." He believes it is nonsense to say that extra choice will mean that only down-market programmes are produced.

Mr Green is now certain to bid for one, and possibly two, of the old ITV franchises. The white paper says that *no group may control or have an interest* in more than two of the licensees for channels 3,4,5, or more than one if they cover the same area. One possibility would be for Mr Green to get together with the *existing* Central management to bid for the licence, with Carlton holding a 51 per cent stake.

Mr Richard Branson, chairman of the Virgin Group is pleased with the white paper's approach – in particular the decision to advertise Britain's last two *remaining direct broadcasting* by satellite (DBS) channels almost immediately. Mr Branson is a founder shareholder of British Satellite Broadcasting, holders of the franchise for the first three DBS channels; he plans to bid for one of the new channels to run a music service.

BSB should gain, whoever wins the additional channels. It will get revenue from the leasing of its spare satellite capacity because it would not be economic to launch more satellites for just two additional channels. The public is also more likely to buy the equipment to receive BSB if people know they will soon be able to receive five channels rather than three.

"Obviously we would also be interested in taking part in a consortium to go for the fifth channel," Mr Branson says.

Apart from the frustrated television entrepreneurs who will come in from the cold, the main winners from the *Government's radical* deregulation ought to be the independent producers.

Not only has the Government's target of 25 per cent independent programmes on BBC and *ITV* by 1992 been enshrined in the white paper and extended to the new channels, but it should also, by implication, find its way into the broadcasting bill. *The potential market for* the independent producers will be even bigger, however: broadcasters licensed by the new *Independent* Television Commission will be under no obligation to own studios or employ their own production staff. *They can meet whatever programme obligations they have,* whether provision *of* news or regional programmes, by buying from independent producers.

The Independent Programme Producers Association, representing more than 500 mostly small independent production companies, obviously welcomes changes that are so much in its members' financial interests. None the less, it sounds one note of warning. The extensive safeguards in the white paper *to prevent the emergence of a few dominant* companies controlling a large number of channels were not complemented, says the association, by measures "to protect the independence of independents."

Such uncertainties are as nothing compared with the uncomfortable position of the ITV companies, and to a lesser extent of the BBC. The Corporation and the ITV companies were labelled "the comfortable duopoly" by the Peacock Committee into the financing of British broadcasting.

Comfortable no longer. Mr Hurd, like some revivalist preacher, keeps telling the BBC to count its blessings – implying things could have been very much worse. The BBC has, however, been put on notice that its time will come and that the Government wants to see subscription eventually replacing the licence fee.

ITV's fate is much more drastic. The *traditional* role of *ITV* as a commercially funded public service broadcaster will cease, although obligations to provide, news, regional programmes and a diversity of programme types will survive into the liberalised future. Even its name will disappear and it will be known prosaically as Channel 3 – one among many.

Mr Richard Dunn, managing director of Thames Television and chairman of the ITV Association regards the auctioning proposals for Channel 3 licences as "penal". Not only will the broadcasting licences be sold to the highest bidder, after applicants pass a quality test, but the successful applicants will face a continuing progressive levy on advertising revenue throughout the 10-year life of the licence.

How can Thames, Mr Dunn asks, a company capitalised at £190m, bid perhaps £300m to try to keep its franchise – while operating until the end of 1992 under public service rules against opponents who have no such obligations? "We're operating with one hand tied behind our back," he says.

He asks what auctioning franchises has to do with either viewer choice or the enhancement of quality. Fatalistically, he outlines an ITV company's only choice: "You bid the maximum sum of money you can afford and, if it turns out to be too much, you get taken over anyway."

The future position of Channel 4 will also pose problems for the ITV companies, which at present sell its airtime. The Government, which wants to see Channel 4 to continue as a broadcaster appealing to minority and specialist tastes, is determined that the advertising time of Channels 3 and 4 should be sold separately.

So ITV faces a difficult choice over the next few years: should it continue to build up Channel 4 as a future competitor? "We think it is difficult if not impossible to have competitive selling of Channel 4 and a warm complementary relationship in all other respects," Mr Dunn says.

Such concerns, however, will not affect those individuals and companies preparing to take part in the airtime sale of the century.

Every technological hare has been allowed to run. But all this enterprise comes with a Government health warning.

National Insurance Contributions

A tax problem which Mr Lawson has yet to solve

By Andrew Dilnot and Steven Webb

Many low-paid or part-time employees in the UK would be worse off if they took a wage rise. This is not the result of the Social Security system and its notorious poverty trap, but of a part of the tax system which Mrs Thatcher's Government would like to ignore.

There are two taxes on personal income in the UK. One, Income Tax, is now a relatively good tax. The other, National Insnrance Contributione (NICs), is a bad tax. It raises three quarters as much revenue as Income Tax, but is complex, distortionary and inequitable. While the basic rate of Income Tax has fallen from 33 per cent in 1979 to 25 per cent now, and the number of rates has been reduced from 10 to two, the combined rate *of* the main employee and employers' NICs has risen from 16.5 per cent to 19.45 per cent and the NIC system has become more complex.

The UK Government would prefer not to think of NICs as a tax, but whatever they are called, their structure is bizarre, with enormous scope for improvement.

Perhaps the most important problem caused by NICs affects low-paid or part-time employees and their employers. An individual earning £40.50 per week is not liable for NICs; neither is his employer. An individual earning £41.50 per week *is liable for NICs* of £2.08 per week; so is *his* employer. Thus the employee with gross earnings of £41.50 a week would end up £1.08 per week worse off, despite a £1.00 per week wage rise. The cost to his *employer of the £1.00 pay rise* would be £3.08 per week.

This increase in NIC liability occurs because as soon as the lower earnings limit of £41.00 per week is exceeded, National Insurance of 5 per cent of *all* earnings is due from both employee and employer, rather than just 5 per cent of the excess over £41.00 per week.

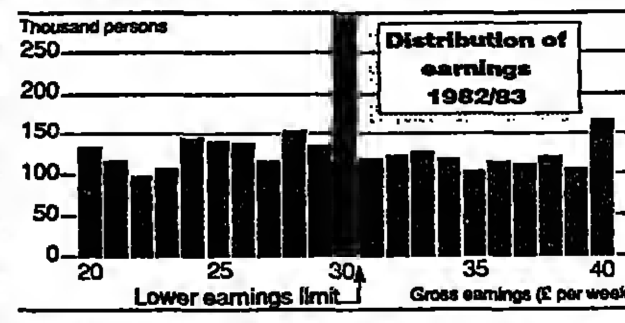
The contrast with the Income Tax allowance, where tax is due *only* on income over the allowance is very clear, and the Income Tax arrangements seem far superior. Given the loss in income suffered by employees earning just above the lower limit of £41.00 per week, the substantial monetary costs to the employer, and the administrative burden of paying NICs, we might expect to find bunching of earnings just below the lower limit, and relatively few people earning immediately above it. Analysis of the 50,000 individuals in the Inland Revenue's Survey of Personal Incomes confirms this (see chart).

The obvious response to this problem is to adopt an allowance eystem, like that for income tax, where NICs would be due only on income above the lower limit rather than on all income once income exceeds the lower limit.

A possible difficulty is that such a reform would have a substantial cost, since all those liable to NICs would benefit from the allowance (whereas, under the current system, those with earnings over the lower limit gain nothing from its existence). The cost could be reduced either by increasing the NIC rate for all employees from 9 per cent to some 11 per cent, or by imposing a higher rate on the first band of earnings, perhaps 15 per cent on earnings between £41 per week *and £105 per week, and 9 per* cent thereafter.

A second major failing attributable to the NIC system is that it creates a situation in which both the average and marginal direct tax rates are lower on incomes above the National Insurance ceiling of £15,860 a year than they are below it. Beyond this point no further NICs are due, so the direct tax marginal rate drops from 34 per cent (25 per cent income tax and 9 per cent NICs) to 25 per cent. The higher rate of income tax of 40 per cent is unlikely to be reached until income reaches around £25,000 a year for a married man. An individual earning £25,000 a year may thus pay a smaller proportion of his income in direct tax than someone with an income of £16,000. While the natural response is to abolish the National Insurance ceiling, this seems politically *impossible* because *of* the losses it would impose on those with earnings over £16,000 a year.

The solution we suggest in a report published today* is to increase the National Insurance ceiling whenever the basic rate of income tax is reduced, thus using the gain from tax cuts to compensate individuals for the higher NICs as the ceiling is raised, without imposing losses on individuals earning £15,000-£25,000.



If such a route were followed, the National Insurance ceiling could reach £26,000 a year by the time the basic rate of income tax has reached 20 per cent without reducing oet incomes for any *individuals* in this range. This would remove the current problem of the drop in tax rates above the NIC ceiling.

The Government cared enough about tax induced dis*incentives to cut top income* tax rates oo earnings from 83 per cent in 1979 to 40 per cent now. Serious incentive problems still exist within the NIC system for those lower down the income scale. Far from having finished the reform of personal taxation by having restructured income tax, the Chancellor has only just started: the labour market distortion caused by National Insurance Contributions should be his next target.

The authors are members of the Institute for Fiscal Studies.

* *Reforming National Insurance Contributions, IFS and the Chartered Association of Certified Accountants*

LETTERS

Financing the elderly

From Mr Donald Franklin.

Sir, The spectre of financing the elderly over the next half-century has appeared again.

First, Benjamin Friedman on the US budget deficit (November 2): "without the growing trust fund balance, the only way to cope with the baby boom generation's retirement, will be to slash retirees' benefits or raise payroll taxes."

And then, in your leader on UK pensions policy (November 7): "Mr Lawson might reasonably express the Government's concern at the long-term prospects for keeping up the present level of benefits paid to pensioners whose numbers are set to increase sharply in relation to the working population."

The fundamental reason for expecting a higher proportion of retirees in most industrialised countries is that, apart from a few demographic blips, the birth rate is steady while people are living longer. But people are living longer because they are healthier for longer. If they are healthier for longer, they can work for longer and, indeed, often wish to do so.

The simplest way to reduce the ratio of retirees to workers is to raise the retirement age. The best way to do this is not to stop paying pensions to the over-65s (or even to rich over-65s), but rather to pay pensions to all over-65s, even if they continue to work (or restart).

The virtue of such universal payments (apparently lost on the present Government), is that they create no disincentive to work. Thus a highly experienced (and often highly skilled) sector of the population could be tapped for its work, and thus its tax-paying potential.

Donald Franklin,
Schroder Economics,
36 Old Jewry, EC2

Low income families

From Mr Mark Stephens.

Sir, The case for child benefit was carefully argued in your leading article (October 25). However, in analysing the defects of family credit, the interrelation between this benefit and housing benefit was not made clear.

As you pointed out, these two benefits have extremely severe tapers. However, it is just as important that family credit is treated as a resource for housing benefit purposes. So 85 per cent of any gain in family credit is immediately lost in housing benefit.

Ministers have been keen to emphasise that family credit can extend up the income scale to incomes as high as £9,000 or more. It would take quite a large family to retain eligibility on such an income, but it would also increase the chances of retaining eligibility to housing benefit. Such a family would see 97 pence of each additional £1 of earnings disappear as it went through the mill of: Income Tax (25 per cent); National Insurance (9 per cent); Family Credit (70 per cent); Housing Benefit (85 per cent).

Clearly this is at odds with the Government's incentives-to-work policy.

Since even the Government's rather low take-up target of 60 per cent for family credit has not been met, the emphasis should be shifted away from family credit to child benefit, and child benefit should cease to be treated as a resource for housing benefit purposes.

This would avoid the current problems of reducing benefit entitlement by increasing child benefit, or reducing child-related benefit as incomes rise. Child benefit should be used to feed and clothe children, not to pay the rent.

Mark Stephens,
10 Melrose Road, SW1.

UK state pensions

From Mr Mike Brown.

Sir, Mr B.S. Williams (Letters, October 29) urges that the UK state pension should be properly funded in advance, in the same way as most occupational pensions.

Broadly, there are two ways of paying for state pensions. In the present system, each generation pays for the pensions of the previous generation; generally described as "Pay as you go." (A more accurate description would be: "Keep your fingers crossed that others will pay after you have gone.")

The other is for each generation, while working, to contribute to a fund so that it can draw pensions from that fund after it has retired.

Switching from the first method to the second causes transitional problems. We cannot stop our contributions to the "pay as you go" system; if we do the pensions of those who have already retired will disappear. We will therefore have to pay for the pensions of two generations. That might be possible, but it may have undesirable consequences.

First, the level of pension we fund for ourselves may have to be quite low. Second, we may become less willing than we would otherwise be to pay for a real (as opposed to monetary) improvement in the pensions of those already in retirement.

Mike Brown,
Company Pensions Information Centre (CPIC),
7 Old Park Lane, W1

US time bomb

From Mr J.L. Shuttleworth.

Sir, Mr Keith Wallace (Letters, October 28) hits the nail on the head when he describes US companies' medical benefits to pensioners as a "time bomb". The US Congress, courts and companies are trying to define the role of government, employees, pensioners and employers in providing post-retirement benefits.

The US accounting standards board is poised to release an exposure draft on the subject. If passed, it will bring to an end pay-as-you-go accounting, and a significantly higher profit and loss charge may result for many companies. The true cost of what some companies have promised may come as a shock to them, and the lengthening of the expected transitional period to 1997 will therefore be welcome news.

Apart from the accounting question, what is important is that companies begin to understand the real cost of post-retirement medical programmes and what they are meant to achieve. This means re-examining their corporate objectives, looking at the alternatives, and the steps that can be taken to control costs.

This area is not generally a problem in the UK, but UK multinationals with actual or potential US interests should be examining the extent of their exposure.

J.L. Shuttleworth,
Coopers & Lybrand,
Plumtree Court, EC4

ASC has a great deal of work in progress

From Mr Michael Renshall.

Sir, I was most surprised to read Richard Waters' report (November 7) suggesting that the work of the Accounting Standards Committee (ASC) has ground to a halt. Nothing could be further from the truth. In fact, as informed followers of the committee's work will know, it currently has a heavier workload in terms of range and importance of subjects than for several years.

At its annual conference in a fortnight's time the ASC will, for example, consider developing a new framework for financial reporting, accounting for changing prices, international harmonisation and the ASC's priorities for the year ahead, all of which will fundamentally affect the future direction of accounting standards.

Exposure drafts on segmental reporting and related party transactions are due to be published before Christmas, and a proposed revised SSAP 13 on research and development is before the councils of the governing accountancy bodies.

Work actively in progress includes the evaluation of comments on exposure drafts on off-balance sheet finance, accounting for Government grants, and on additional disclosures relating to business combinations as well as on a discussion paper of fair value accounting. In addition, ASC has recently begun an important review of all aspects of accounting for business combinations.

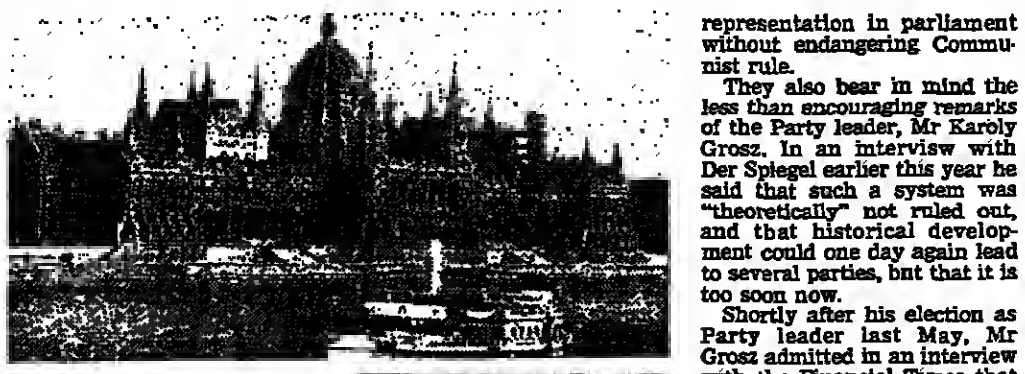
I would invite your readers to judge whether the programme or work outlined above can fairly be described as "grinding to a halt."

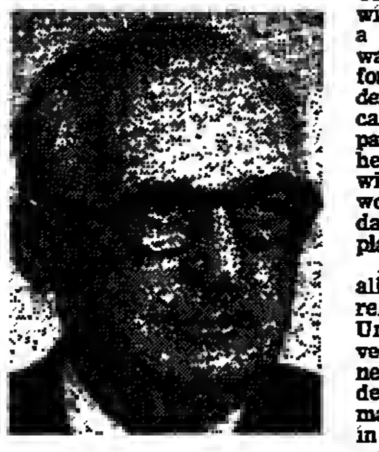
Michael Renshall,
The Accounting Standards Committee,
Moorgate Place, EC2

FINANCIAL TIMES
Wednesday November 9 1988

The party's not over for Hungary

Leslie Colitt, recently in Budapest, feels the pressure for democracy





Legitimate opposition groups remain sceptical that the Hungarian Communist Party will ever voluntarily agree to a multi-party system despite the view of President Bruno Straub (right) that lack of opposition is unhealthy

HUNGARY'S leading politicians have recently been speaking openly about establishing a multi-party system.

But although they go as far as acknowledging the superiority of the system of party pluralism to be found in the West, the Hungarian reformers say it is still too early for them to set up such a system themselves.

The most outspoken remark on the subject was recently made by Mr Bruno Straub, Hungary's new President, who is the first non-communist head of state in a Warsaw Pact country.

Mr Straub, interviewed by the weekly economics newspaper HVG, said it was "unhealthy" not to face the possibility of being toppled, and "this is why I basically approve of a multi-party system." However, he added that while in the long run the advent of a multi-party system is inevitable, he did not think the issue was currently "acute".

Few Hungarian politicians have spoken as often about the multi-party system as Mr Imre Pozsgay, a leading reformer in the ruling Politburo. Mr Pozsgay told Party workers earlier this month that the "possibility" of a multi-party system had to be faced.

But, in similar vein to Mr Straub, he later made it clear that he was not thinking of proclaiming the multi-party system now. He merely stuck to the point that the country's Communist Party would have to consider it and "cannot oppose it." He recalled a saying of Karl Marx that where there are no divisions and parties, "there is no progress either."

He points out the Communist Party's key dilemma, namely that pluralism cannot be allowed to develop simply by giving full play to a "deadly, hostile" opposition to the Party. On the other hand there will be no progress made by conforming to the "present power arrangement."

Mr Pozsgay suggested the answer might be to set up a myriad of parties that could form "a democratic consensus." However, he admitted that the very monopoly of power by the Communist Party hindered the creation of alternative movements, which would naturally veer towards differences rather than dialogue.

Mr Rezso Nyers, the man often described as the father of Hungary's reforms of the economy, has added his support to the eventual restoration of multi-party politics. Mr Nyers, a member of the Politburo, has noted that the dissolution of the parties in 1949 was "historically unjustified and wrong."

He is a former member of the Social Democratic Party which merged with the Communists in 1949, with the intention of injecting some "Social Democratic values" into the united party. Mr Nyers admits it was a misguided notion, for the Democrats soon found themselves overshadowed by a "Stalinist steamroller."

In the postwar years, he noted, Hungary could have developed with cooperating parties and even with loyal oppositionist parties controlling the Communists and saving them from making "certain mistakes."

But again, Mr Nyers falls into line with his colleagues by insisting that Hungary is not yet ripe for political pluralism. He argues that institutionalised pluralism has been absent from Hungarian political life for so long that there are still opportunities for the one-party system to develop and serve a purpose.

In his view, the transformation to plurality should take place gradually, by allowing debate to flourish within the Communist Party's ranks and by tolerating the existence of independent social organisations and associations as long as they "accept and observe" the constitution and laws.

Politicians belonging to the legitimate opposition groups remain sceptical, however, that the Hungarian Party will ever voluntarily agree to sacrifice its "leading role" and permit a multi-party system. They can point to the rather lame attempt at political reform underway in Poland that gives the United People's Party and the Democratic Party greater representation in parliament without endangering Communist rule.

They also bear in mind the less than encouraging remarks of the Party leader, Mr Karoly Grosz. In an interview with Der Spiegel earlier this year he said that such a system was "theoretically" not ruled out, and that historical development could one day again lead to several parties, but that it is too soon now.

Shortly after his election as Party leader last May, Mr Grosz admitted in an interview with the Financial Times that a "monolithic party system" was not the "most ideal form" for developing parliamentary democracy. But it could still be carried out on a "different path." The day was not far off, he noted, when elections within the Communist Party would be contested by candidates representing different platforms.

An overwhelming factor in all this remains Hungary's relations with the Soviet Union. Mr Gorbachev has veered away from the Brezhnev doctrine, which stressed a determination that the primacy of the Communist Party in each country should be maintained. Indeed, the Soviet leader has said that each East European country can find its own road to Socialism. But how Mr Gorbachev might react to a Party under threat in one of the USSR's satellites is yet to be tested.

In the meantime, incredulity at how far things have gone in Hungary remains the keynote. The Hungarian political commentator, Mr Istvan Javorniczky, last week noted how democratically oriented, independent organisations have been formed while independent publications are about to appear.

But the cracks in the traditional, monolithic system of power should not be confused with a fundamentally different way of exercising power, he cautioned. Apart from a new generation at the top of the Party and some differences in style there had been no appreciable change, he said.

But Mr Javorniczky did publish that opinion, which, in itself, is an indication that something has changed after all.

Shanghai stock market expected to expand

By John Elliott in Shanghai

SHANGHAI'S fledgling stock market, which is gingerly testing the entrepreneurial potential of capitalism in China's economic reforms, is expected to increase the number of companies able to issue tradeable shares during the coming year from the present total of only 11 to more than 50.

At present the stock market is a fairly ramshackle affair, conducted across the counters of eight of the city's banks and on the pavements outside. However, a meeting of top city officials earlier this month decided to accelerate developments, having overcome opposition from some sections of the Government, and creation of a full exchange is being considered.

"State ownership still has a decisive role, but we want enterprises to be responsible for their profits and losses instead of the Government being the big boss. For that we must personify the ownership," says He Gaosheng, director of Shanghai's Office of Economic System Reform. He says he also believes this "symbol of capital" can help employee motivation and the raising of investment funds.

Surplus workers

The move is part of a big effort, which has been intensified this year, to rebuild Shanghai's credibility as China's main financial centre and to revive its flagging industrial and economic performance. Foreign investment is being encouraged in a number of fields, and one foreign joint venture with Volkswagen of West Germany raised Yuan 29.5m ($7.6m) in a bond issue this summer to back up other conventional loans raised through the Bank of China.

Mr He explains that the revival of Shanghai's pre-communist shareholding system started in 1984 with smaller enterprises issuing non-tradable shares, or bonds, tax-free to their employees. The idea was to help surplus workers set up their own enterprises. More than 1,250 enterprises have now been set up.

Around the same time the first of the 11 Shanghai companies now able to go to the market started to issue more conventional shares. Six of them are now being traded. But doctrinaire opposition has until now limited this experiment to one new share issue each year.

"In Shanghai, doubts existed about whether this is the right route for China to follow," says Mr He. "But now we have a unified view, so the general direction is clear, even if there are some differences over implementation."

Zhou Xin Rong, whose Shanghai Yanzhong Industrial Company issued Yuan 5m in January 1985, says his company was short of funds so he wanted to raise money which would not have to be paid back to bond holders or employees. The shares were issued at Yuan 50, and are now trading at Yuan 57, fetching 7.2 per cent in interest and 7.8 per cent as a dividend each year.

Company issues

The lack of price movement illustrates the view that the shares are a form of savings rather than speculation. There is only a maximum of about 50 trades a day in the six quoted companies according to Hu Rui Quan, local manager of the Industrial and Commercial Bank of China, which is one of the main trading centres. He says that there are 40,000 shareholders in the six companies which include general industrial and electronics businesses and one shopping bazaar. Their total capitalisation is Yuan 250m, with Yuan 27m issued in Yuan 50 and Yuan 100 shares.

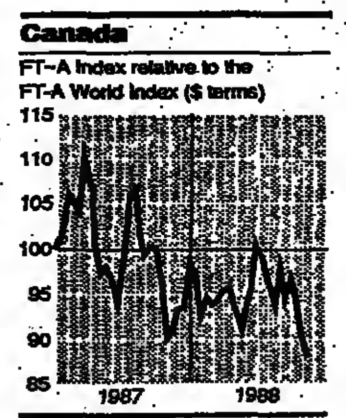
One or two other cities have also arranged company issues. But in Shanghai and elsewhere they have so far been overshadowed by trading in redeemable bonds. Shanghai has Yuan 300m bonds issued since 1986 in the form of treasury bills and enterprise loans, and trading started earlier this year.

But it is the share ownership which is more important in political terms. "There are two views," explains Mr He. "Foreigners think we should put everything into private ownership. Some people here think shares will lead to full private ownership. I disagree with both views because state ownership here is so strong and dominant that shares cannot change that. But what they can do is play an important role in capital construction and the allocation of resources."

THE LEX COLUMN

Sainsbury makes the most of it

From Marks and Spencer down, the fashion among retailers this season has been to offend their shareholders, and so the customary 20 per cent earnings growth from Sainsbury yesterday was met with considerable relief. Every six months the market finds room to be surprised at just how far Sainsbury has increased its margins, and yesterday's 0.5 percentage point increase was so predictably unexpected that the market seems to have given up guessing where it will all end. The nation is showing every sign of consuming more and more fresh food, investment in technology should keep costs falling, and the opening of profitable new superstores continues apace.



Bigger earnings from ever fatter margins must have been what the market had in mind yesterday in pushing the shares up 5p to 206p. Had it dwelt on volumes instead - which were even more disappointing than Tesco's, with no growth from existing stores - the reaction might have been different. Perhaps it reasoned that the low volumes over the past six months are simply due to higher prices, and therefore do not matter much. However, inflation seems no more satisfactory an explanation of poor volumes than the company's own offering about more people going on holiday. Retailers may scoff at the market's fears of supermarket saturation, and point to hundreds of potential new sites; but if the best retailer of the lot can sell no more goods from existing space when consumer expenditure is booming, one cannot help worrying what will happen next year.

Canada

The world's financial markets have yet to deliver their verdict on the US election, but they have already made up their minds about the outcome of Canada's elections on November 21. After several years of under-performance, the world's fourth largest stock market seemed poised to break out - until a clutch of opinion polls suggested that the ruling Conservative Party would either not return to power, or would do so without a large enough majority to force through the free trade pact with the US.

To judge by the sharp drop in the Toronto stock market and the Canadian dollar, this came as a considerable shock to international investors. Three weeks ago, Canada could boast of rapid economic growth, low inflation, and a willingness to open up its markets. Now it is perceived as being in danger of retreating into its shell. If it passes up this opportunity to abolish tariffs with its biggest trading partner, it may not get another; and if the world continues to move towards trading blocs, Canada could be left out in the cold.

However, if the market's emotional response to this change in Canada's political fortunes is understandable, the financial impact of a failure to implement the free trade agreement is less clear. Long term growth could be marginally lower, but this could be more than offset by resulting weakness in the Canadian dollar. And if international investors really do take fright and dump the currency, then Canadian interest rates will have to rise still further. Apart from this worry, the Canadian market arguably looks considerably cheaper on fundamental grounds than Wall Street: not only are prospective multiples at least a couple of points lower, but the corporate sector is in better shape to weather a recession.

Daimler/MBB

One can be forgiven for assuming that anything which is as hard to get through the West German cabinet as the Daimler/MBB link-up must be a bad deal for the Government and a cracking good deal for Daimler-Benz. True, it would have been hard to imagine a more effective poison pill than Airbus to keep Daimler away from MBB; but DM4.3bn in currency guarantees from Bonn should do a lot to remove the taste of Airbus losses from Daimler's corporate palate. And the prospect that the Federal government will be spending up to 50 per cent of its defence procurement budget on the new conglomerate's products by the mid-1990s must make Airbus look like the kind of irritant Daimler can live with.

The Daimler supervisory board meets today to decide whether enough has indeed been done to persuade it to allow Airbus to darken its door. The market, for its part, already considers the deal a foregone conclusion, and the shares rose 2 per cent yesterday as a mark of Frankfurt's esteem. In the short term, this is quite likely misplaced: declining margins on Daimler's car business will probably ensure that earnings per share continue to fall, perhaps by as much as 10 per cent this year and a further 8 per cent in 1989. Teaching MBB about cost control could well take far longer than that - and given the protection afforded by Bonn, it is a lesson which may be learnt even more slowly at Airbus. That, in turn, is scarcely good news for British Aerospace: just what it needs is another partner with less incentive than it has to make profits.

RJR Nabisco

Amid the $20bn scramble which has developed for RJR Nabisco, there has been an interesting shift in the quality of the bidding. The Forstmann Little proposal is backed by three eminently respectable US food producers, one of which, Procter & Gamble, is also perhaps the most conservative of the world's big consumer goods companies. Suddenly the wave of buyouts, billed as the culmination of a kind of investment bankers' orgy, does not look so excessive after all.

The proposals may mark an excess of another kind. As was shown by Nestle's bid for Rowntree and Philip Morris's for Kraft, there is a kind of auction fever abroad in the food industry itself. The P&G consortium is presumably out to carve up RJR's food interests, with Castle & Cooke a natural home for DelMonte, and P&G itself perhaps out to avenge its defeat in the cookie wars by becoming the world's biggest biscuit maker. After all, at $90 a share the exit multiple for RJR is only around 15, even if the tobacco earnings rather distort the average. The industry is in one of its periodic fits of believing that it is in some sort of end-game; five years from now, when the assets are once more being reshuffled, the investment bankers will doubtless be there to help it believe the same all over again.

Europe may open up single arms market

By David White, Defence Correspondent, in London

EUROPEAN ALLIES are expected today to approve a plan enabling them to compete more easily in each other's market for defence equipment.

An "action plan" for opening up competitive bidding is due to be endorsed at a meeting in Luxembourg of defence ministers from the 13 Nato countries belonging to the Independent European Programme Group (IEPG).

It links in with proposals at European Commission level for extending single market provisions, due to come into force in 1993, to the armaments field.

The IEPG is the main forum for co-operation in defence equipment between the European Nato members, and is one of the few Nato groupings in which France plays an active part. It largely overlaps with the Community, comprising all the EC's members except Ireland, with the addition of Norway and Turkey.

The opening of defence contracts to competition from companies in other member countries would build on recent initiatives by the UK and France, each of which makes available a "contracts bulletin" listing equipment requirements that are open to tender. The two countries have set up small-scale "reciprocal purchasing" arrangements in an effort to avoid duplication.

The IEPG plan has been prepared by armaments directors in the wake of a report by an independent study team on behalf of the defence ministers two years ago, on ways of making the European arms industry more competitive. Among other recommendations, the report urged a much greater degree of cross-border trading.

European Commission plans in the same direction have run into much more controversial ground by envisaging the application of common external tariffs to defence equipment that has up to now been excluded. This is fiercely resisted by the US and some other major allies as undermining the cohesion of Nato.

The Rome Treaty allows its members to exercise their own policies for "arms, munitions and war material." However, the 1986 Single European Act brings defence into the domain of EC co-operation and pledges members to maintaining "the technological and industrial conditions necessary for their security."

Brussels drive on car imports

Continued from Page 1

could emerge greatly changed from today's debate. They would not speculate at what level Brussels might ask Japan to stabilise car exports, though the latest demands from European car industry lobbies are for a freeze at the 1985-86 level of 1,050,000 vehicles, 9.5 per cent of the Community market.

Today's meeting is also likely to discuss a the row between Britain and Paris over French plans to include UK-built Nissan cars withio Franre's import quotas on Japanese vehicles. The Italian Government, which is considering following the French example, is also pressing the Commission for a qulck response.

Cable group attacks UK plans

By Raymond Snoddy and John Gapper in London

THE UK's Cable Authority - which regulates the cable television industry - is to advertise as many as 25 to 30 cable TV franchises within the next two years to try to beat the proposals for cable outlined in the government's policy document on broadcasting.

Mr Jon Davey, director general of the Cable Authority which, like the Independent Broadcasting Authority which controls commercial television, is to be abolished and replaced by an Independent Television Commission, yesterday described the proposals as "nonsense."

The government is proposing that in future the role of cahle network operators should be separated from the selling of programme services to the consumer and that this task would be carried out by a new breed of retailer.

"This is an academic exercise conducted without any appreciation of commercial reality," said Mr Davey.

The proposals could choke off the stream of American investment which has been transforming the outlook for cable after many difficulties, he said.

A senior executive of a major US cable operator who visited the authority yesterday expressed horror at the government proposals and said they had zoned in on the one thing that could block the development of the nascent industry.

The authority said yesterday it envisaged a "rush for good old fashioned franchises while stocks last."

Mr Davey believes the 15-year franchises issued during what will probably be the last two years of the Cable Authority's existence will continue to have legal force.

Mr Nicolas Mellersh, director of the Cable Television Association, the industry trade body, said that if "this ill-thought out proposal was implemented, the unfortunate subscriber would be besieged by whole army of retailers."

"This proposal would destroy cable's unique selling point as the hassle-free way of getting exciting new satellite channels."

The Cable Authority is also concerned that the proposals for local television franchises which could either use cable, microwave transmission or a mixturs of both is the final abandonment of attempts to encourags the creation of sophisticated cable networks to be used for two way services.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	14	57	Malta	S	20	68	Rhodes	S	17	63
Algiers	S	25	77	Edinburgh	F	09	48	Manchester	S	08	46	Rio de J'o	C	28	82
Amsterdam	F	06	43	Faro	C	20	68	Manila	C	31	88	Rome	F	16	60
Athens	F	17	63	Florence	F	16	61	Melbourne	F	24	75	Salzburg	S	04	39
Bahrain	F	30	86	Frankfurt	F	07	45	Mexico City	F	23	73	San Francisco	F	11	52
Bangkok	C	29	84	Funchal	F	20	68	Miami	R	06	43	Seoul	F	18	64
Barcelona	R	16	61	Geneva	C	05	41	Milan	S	10	50	Singapore	R	31	88
Beirut	F	27	81	Gibraltar	C	19	66	Montreal	R	06	43	Stockholm	F	00	32
Belfast	F	10	50	Glasgow	S	07	45	Moscow	C	00	32	Strasbourg	F	05	41
Belgrade	F	06	43	Guernsey	F	12	54	Munich	S	04	39	Sydney	F	26	79
Berlin	F	05	41	Helsinki	F	-3	27	Nairobi	C	22	72	Taipei	F	21	70
Biarritz	F	23	73	H. Kong	F	24	75	Naples	S	16	61	Tangier	T	16	61
Bombay	S	33	91	Innsbruck	S	05	41	Nassau	F	28	82	Tel Aviv	F	24	75
Bordeaux	F	18	64	Inverness	S	12	54	New Delhi	F	31	88	Tenerife	F	24	75
Brussels	F	08	46	Islamabad	-	-	-	New York	C	14	57	Tokyo	F	15	59
Budapest	F	09	48	Istanbul	F	09	48	Nice	C	13	55	Toronto	C	07	45
B. Aires	F	31	87	Jakarta	R	33	91	Nicosia	F	21	70	Tunis	S	24	75
Cairo	F	27	81	Jersey	F	13	55	Oporto	R	19	66	Valencia	S	19	66
Cape Town	F	19	66	Jo'burg	C	27	81	Oslo	F	05	41	Venice	S	10	50
Caracas	C	26	79	Lima	C	20	68	Paris	C	09	48	Vienna	F	10	50
Casablanca	F	25	77	Lisbon	R	21	70	Peking	S	15	59	Warsaw	C	03	37
Chicago	F	01	34	London	C	10	50	Prague	C	02	36	Washington	F	04	39
Cologne	S	10	50	Los Angeles	F	19	66	Reykjavik	F	03	37	Zurich	C	05	41
Copenhagen	F	09	48	Luxembourg	S	07	45								
Corfu	S	16	61	Madrid	C	17	63								
Dallas	C	09	48	Majorca	F	22	72								
Dublin	C	12	54	Malaga	C	19	66								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Pöhl takes cautious view

Continued from Page 1

allsation. But further progress on monetary union would hinge critically on all EC members committing themselves to a fixed exchange rate regime within the EMS.

Britain, Spain, Portugal and Greece are not members of the exchange rate mechanism of the EMS, which requires members to adhere to fixed exchange rate parities and to intervene in currency markets or adjust domestic interest rates to maintain those parities when necessary. Italy is a member.

Mr Pöhl is understood to have said that, when all members of the EC became participants in the full EMS, community-wide co-operation on monetary policy could develop further along current lines. After such a period it might be appropriate to consider the creation of a central bank to institutionalise that co-operation.

A precipitous move towards the creation of a common currency or the early establishment of a central bank, however, might derail the process of integration.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday November 9 1988

INSIDE

Oppenheimer charts course for Charter

Sir Michael Edwardes (left), recently appointed chief executive of Minorco, South African-controlled investment company, has also become chairman of Charter Consolidated, UK industrial concern. His appointment is part of a wider boardroom upheaval at Charter, which is a prime example of how Harry Oppenheimer's Anglo American-De Beers mining empire can sometimes control a company without paying for majority control. Page 33

Micron's slingshot take its toll of Japanese Goliaths

The small but determined Micron Technology has proved it can successfully challenge the Japanese Goliaths of the memory chip industry. The once tiny US company is flourishing after years of struggling for survival, suggesting that experts are not always right. Page 26

Seat shifts into profit for 1988

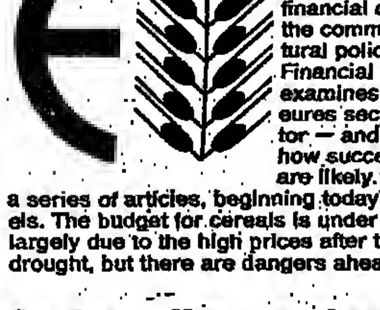
SEAT

Profit hasn't come easy for Seat, but Spain's largest car manufacturer expects to pull in net earnings of around Pta1.8bn ($15.3m) this year. The turnround comes as Seat prepares an ambitious investment programme to modernise and expand Seat's outdated production facilities by the early 1990s. Page 28

Yale & Valor lifts earnings

Yale & Valor, UK locks and domestic appliances group, yesterday announced a 14.9 per cent increase in earninge per shere for the half year to the end of September. In the first full helf-year since the acquisition of Yale Securities and Nutone, US-based manufacturers of home fittings, pre-tax profits climbed from £12.1m ($21.4m) to £21.6m. Page 32

Dangers ahead for the European Community cereal bowl



It's been nearly a year since the European Community agreed a series of financial curbs on the common agricultural policy. The Financial Times examines these measures sector by sector — and looks at how successful they are likely to be — in a series of articles, beginning today with cereels. The budget for cereals is under control, largely due to the high prices after the US drought, but there are dangers ahead. Page 48

Sumitomo Heavy engineers a change in fortunes

It has been e tough struggle, but Sumitomo Heevy Industries, the Japanese engineering group, has broken even for the first time in two years. The change in fortunes comes after a severe scaling down of its loss-making shipbuilding division. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Daimler-Benz	700.5	+	18	Epeda-Bertrand	1225	+	295
Man	217	+	5.2	Promodes	2450	+	151
Mannesmann	186.5	+	5.8	Radiotechnique	639	+	39
Thyssen	175	+	4.4	UIF	564	+	34
Volkswagen	313.5	+	9.4	Uniball	728	+	42
Falls				**Falls**			
Karstadt	430	—	1	Sogerap	208.1	—	8.9

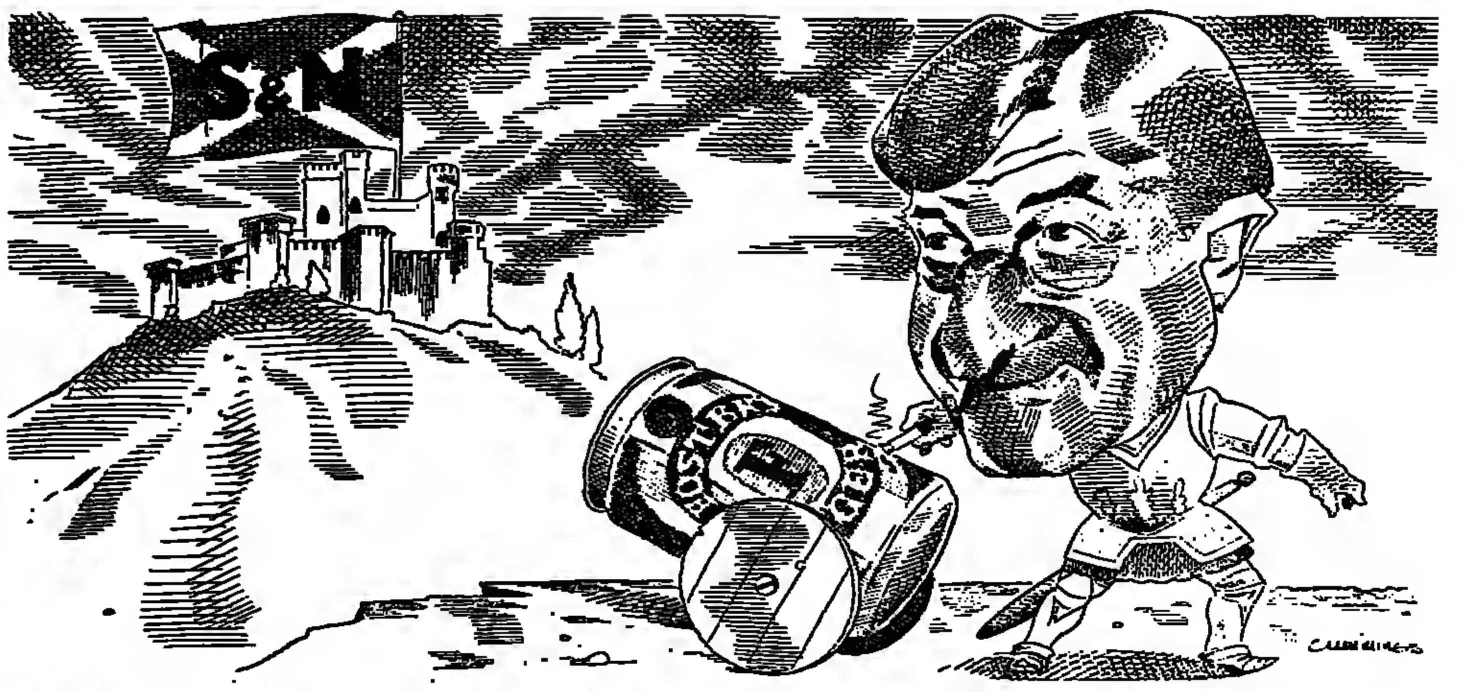
NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Limited Inc.	$26\frac{1}{2}$	+	$\frac{3}{8}$	Nippon Kosh	1020	+	100
RB Inds.	$11\frac{1}{4}$	+	$\frac{1}{2}$	Silver Seiko	720	+	65
RJR Nabisco	$87\frac{5}{8}$	+	$\frac{1}{4}$	Yukan Kogyo	1130	+	100
Union Carbide	27	+	$\frac{7}{8}$	**Falls**			
Falls				Shin-Kobel	1250	—	80
Pillsbury	$58\frac{3}{8}$	—	$\frac{5}{8}$	Ishii Iron	1100	—	60
Sears, Roebuck	$42\frac{3}{8}$	—	$1\frac{3}{8}$	Matsuzakaya	5300	—	280

New York prices at 12.30.

LONDON (Pence)							
Rises				Jones& Shipman	118	+	7
Amersham Int.	587	+	17	LWT	193	+	12
Bass	816	+	13	LASMO	504	+	10
Brit. Aero	498	+	6	London Shop	297	+	31
Central ITV	594	+	26	Plessey	175	+	$6\frac{1}{2}$
Charter Cons.	481	+	24	Racal Elect.	287	+	6
Enterprise Oil	581	+	9	Ryl.Bk.of Scot.	344	+	$9\frac{1}{2}$
First Leisure	160	+	10	Trusthouse F.	279	+	6
Granada	341	+	$14\frac{1}{2}$	**Falls**			
Grand Met.	453	+	$9\frac{1}{2}$	Health Care	60	—	8
HTV	296	+	17	Lonrho	416	—	6
Jaguar	277	+	10	Parrish	110	—	55
Johnson Matthey	392	+	$12\frac{1}{2}$	RHM	368	—	6

Brewing strategy for Europe to Scottish tastes

John Elliott tells Tony Jackson why his Elders IXL is bidding for Scottish & Newcastle Breweries



This is an important week for Mr John Elliott, and it started badly. Sunday saw him in the Australian outback, "among the kangaroos and emus," he says, packing his bags to see through a crucial stage of his £1.6bn ($2.8bn) bid for Scottish & Newcastle Breweries. He had a lot of appointments in London on Monday, and made none of them; instead, his time was spent in a saga of crash landings, lost luggage and re-routing via Tokyo.

It would be wrong to see this as e symbol of the Elders IXL chairman failing to get to grips with the Brits. He was plainly at home yesterday in his grandly opulent London headquarters, the old Libyan Embassy in St James's Square, in shirt-sleeves and half-moon glasses, expounding the case for merging Courage and S&N to make Britain's second biggest brewing empire.

His visit is partly to respond to S&N's formal defence document, put out on Monday ("this rubbish", he says contemptuously), and partly a last-minute effort to influence the official decision — expected by the start of next week — on whether the bid should be referred to the Monopolies and Mergers Commission.

It is important to remember, he says, that the combined business would still come behind the market leader, Bass Charrington. "The issue is whether by putting two and two together, you reduce competition. Our view is that you increase it.

"Bass is just so far ahead of everybody else, in the narrow sense of Great Britain. It's got 22-23 per cent of the market now, and rising, and it's just gone past S&N in Scotland. We'll be a more formidable competitor to Bass by being together. It's the irrefutable logic that [Mr Alick] Rankin [S&N chief executive] had when he wanted to buy Courage himself e couple of years ago."

There is also a strand to the argument which has nothing to do with the UK market at all. Besides owning Courage, Elders has Foster's, the Australian lager which it aims to make the vehicle of a global brewing empire. An important part of the strategy is Europe, with the UK as starting point for e grandiose vision of the future.

"The key to the battle is going to be lager. What staggers me is that Heineken has one brewery that could do half the lager of Great Britain today. Once 1992 comes, Britain's got nothing to fight with on the lager market in Europe — which is growing at 7 per cent per annum.

"Heineken are the only other global brewers in the world, in my view. We are number five in the world on beer sold outside its own country, and we've come from nothing in five years. In the US, we're the fastest growing imported lager, and we're taking share from Heineken. The research shows young people drinking Foster's, with Heineken regarded as the imported lager your father drinks.

"Europe has enormous opportunities. Spain, Portugal, Greece, Italy — the southern countries. They're the traditional wine-drinkers, but beer is growing. The problem is, most of Europe is locked up. The reason we as Australians choose Britain is we can understand the language and the people. If we go into Spain, we're in no-man's-land."

Granted the UK as base, though, why choose e company based in Edinburgb, 400 miles from Dover? "Because you have a hand-in-glove fit between a major southern regional brewer and e major northern regional brewer. We can widen the distribution of Foster's, we get more efficient use of marketing expenditure, and we can give S&N better distribution for its brands like Theakston's and Newcastle Brown. And, as we say in Australia, we're at pussy's bow — we're at 100 per cent of capacity, and their capacity is about 20 per cent underutilised."

This last contention is specifically denied by S&N, which says its capacity utilisation is over 80 per cent, while Courage's is under 70 per cent. In addition, S&N derides the notion of supplying the Mediterranean market from the North of Britain. It is a point Elliott is slightly vague about, merely saying that there is scope to use the northern breweries to supply the south of England, while perhaps supplying Europe from Courage breweries in the south.

However, Elliott has already made the decision to move Elders' brewing headquarters to the UK, and if the bid is successful, to Edinburgh.

"We've made a commitment of self-interest, and it's in two parts. If we win, we merge Courage and S&N and we headquarter in Edinburgh. The next step is, we've already decided that because we're the sixth biggest brewer in the world even without S&N, to keep giving our shareholders full value out of our brewing interests we've got to be located in one of the major financial capitals of the world. The most logical one is London, because we're already here. So whether we buy S&N or not, we will float the brewing business here, on the London Stock Exchange."

The next step, moving the global business to Edinburgh, seems a transparent attempt to counter Scottish objections to the takeover. "It's a concession, sure. Otherwise we'd be in London. It shows we are prepared to gather there, and that does bring about infrastructure. People in Scotland say they lose top people when companies become regional offices of someone else. This way, all the service people — lawyers and accountants and auditors — will be coming to Edinburgh to see the company, and that creates infrastructure."

But if the bid is referred, there is a direct threat that the picture would change. "We'd certainly go through with a reference, and everyone says we'd get cleared. But it would be a political reference."

Insurer abandons California market ahead of poll result

By Nick Bunker in London

TRAVELERS Group, one of the largest insurers in the US, has almost entirely pulled out of the property/casualty insurance market in California because of worries about the outcome of yesterday's referendum on a series of proposals aimed at cutting premium rates.

Voters in the state had a choice of five ballot propositions sanctioning mandatory rate reductions primarily aimed at cutting the high cost of automobile insurance.

The most radical measure, Proposition 103, is backed by Mr Ralph Nader, the consumer rights advocate, and calls for an immediate 20 per cent cut in premium rates for all types of property and liability insurance from their 1987 levels. It had been leading in most pre-election polls.

On Monday, officials from Travelers went to the California Insurance Department and said the company was immediately ceasing to accept new business or renew policies covering motorists, homeowners and almost all types of insurance for business customers.

Travelers made no pnblic announcement of the move, bnt last night Mr Dan Kaferle, a spokesman for the Hartford, Connecticut-based company said it felt that the uncertainty created by the referendum created "a potential for severe damage" to its shareholders and customers.

"We were extremely reluctant to take this action but we considered it necessary to protect shareholders and policyholders," he said. Travelers might re-appraise its decision once the results of the referendum were known, he added.

The move by Travelers places an immediate question mark over the response of Farmers Group, the hnge Los Angeles-based motor and household insurer which Britain's BAT Industries has agreed to acquire for more than $5bn.

More than 40 per cent of Farmers Group's property/casualty premiums come from California, where it is the third largest insurer after State Farm, a mutual, and Allstate, a subsidiary of Sears Roebuck.

Observers on Wall Street last night saw the Travelers move as e pre-emptive strike in case the California Insurance Department prohibits insurers to witbdraw from the state after the results are known.

The withdrawal affects business which gave Travelers $250m in premiums in 1987. in that year, about 8 per cent of Travelers' homeowners' and 3.3 per cent of its automobile insurance premiums came from California.

Britannia Arrow expands in US

By Vanessa Houlder in London

BRITANNIA Arrow Holdings of the UK yesterday strengtbened its role as a global player in investment management by paying $133m for the outstanding 55 per cent of Invesco, a US pension fund manager.

The move was described by Britannia Arrow as virtually inevitable, given its acquisition of the first 45 per cent stake in December 1986. Lord Rippon of Hexham, chairman, said that, since then, invesco had continued to show impressive growth. The managements of Britannia Arrow and Atlanta-based invesco bad demonstrated they could work well together.

As e result of the deal, Britannia Arrow has enhanced its position in the US, the area of its business least affected by the current financial climate.

Invesco has been Britannia Arrow's most successful US interest. As a wholesale fund manager with a long-term investment philosophy, it bas been almost unscathed by last October's crash.

Two US retail fund managers, Gardner & Preston Moss and Financial Programs, bave been worse affected, altbough post-crash withdrawals by US investors have not metched those made by UK investors.

Invesco will run tbe group's two other Nortb American operations which is expected to bring economies of scale.

In common with otber fund managers, Britannia's UK unit trust operations have suffered from increased competition, low levels of investment and increased compliance costs.

In addition, changes to dealing rules, in particular the ban on dealing in the fund's own units, have cost it an estimated £2m-£3m in annual profits. These factors also contributed to the sharp drop in interim pre-tax profits announced by GT Management on Monday and by Henderson Administration yesterday.

Mr Ratan Engineer, a director of MIM, Britannia's fund management subsidiary, said that the deal was a further step in Britannia Arrow's policy of focusing on fund management and moving eway from being a passive holding vehicle.

This trend dates from Britannia's merger witb MIM in June 1986. It has been reinforced by acquisition of the initial Invesco stake, the sale of Singer & Friedlander, the UK merchant bank, in July 1987, and purchase of Couoty Unit Trust Managers for in September 1987.

Invesco has 150 clients including pension funds, state funds and university endowment funds.

Henderson results, Page 33

Bertelsmann profits jump 72%

By Haig Simonian in Frankfurt

NET PROFITS at Bertelsmann, the West German-based international media group which owns the US publisher Doubleday, rose 72 per cent to DM357m ($200m) in tbe year to June 30. Sales advanced 25 per cent to DM11.5bn.

Some DM109m of the profits rise stemmed from an accounting change regarding the treatment of goodwill.

However, net earnings at Bertelsmann, which says it is in the middle of a "consolidation phase," should climb to at least DM410m in the current business year, according to Mr Mark Wössner, chief executive.

The results confirm Bertelsmann's position as the world's biggest media group following the consolidation of e full year's sales by Doubleday and RCA/Ariola Records, which it bought for about $800m in 1986.

US sales now account for 28 per cent of group turnover, just behind the 32 per cent share held by the domestic market.

Mr Wössner confirmed the company was committed to further expansion in its core publishing, music and high-technology bnsinesses. Acquiring or establishing magazines in the US, especially for special interest groups, is a priority.

However, new acquisitions are unlikely to come before the 1989-90 business year as Bertelsmann rebuilds its financial resources, he said.

In the meantime, the company will focus on squeezing better results out of the US acquisitions and its core German businesses. In particular, the music business, consolidated into Bertelsmann Music Gronp, has been turned around to show e profit of DM91m for 1987-88.

By contrast, returns in Bertelsmann's new media division remain depressed by higb start-up costs and low revennes.

However, both the division as e whole, and RTL Plus, the German private TV station in which Bertelsman has a large minority stake, should move into profit by 1989-90, according to Mr Manfred Lahnstein, the managing board member responsible.

Bertelsmann intends to issue "a few hundred million D-Marks" of new profit participation certificates in the summer of 1990, said Mr Wössner.

Edelman sets up European base

By William Dullforce in Geneva

MR ASHER Edelman, the celebrated New York arbitrageur who says he is an entrepreneurial investor not a corporate raider, is setting up in Europe.

He has just been granted a residence permit by the city of Lausanne, where he intends to establish a museum of contemporary art and a business with a staff of some 25 people similar to that which made him a fortune in New York.

Mr Edelman expects to spend seven to eight months a year in Europe and his targets remain companies with "undiscovered assets and good cash flow strength."

He was most recently in the news in September, when with the help of Hentsch, a Geneva private bank, he started to build a share stake in Lonrho, the international trading group headed by Mr Tiny Rowland. Mr Edelman netted a £20m ($35m), when that "situation" was resolved.

In a speech yesterday to the Swiss-American Chamber of Commerce in Geneva, Mr Edelman disclosed some of the reasoning behind his new focus on Europe.

Entrepreneurial behaviour had become more acceptable, more profitable and more possible in Europe, whereas the US was "on the other end of the cycle".

European companies were creating business combinations to meet the unchallenged manufacturing and marketing muscle of the US. A number had started to use the merger and acquisition route to expand and reorganise.

"Unfair" was how Mr Edelman described a request to indicate where he saw the best opportunities for his activities. Bnt, he said, "I find myself focussing on the UK, France, Belgium and Switzerland."

Mr Edelman said he aimed at creating in Europe e similar set of business relationships to those be had built in the US but the relationships would be "less transactional, more long-term with industrial partners".

Swiss companies would have to take calculated risks to acquire and build businesses inside the European Commnnity's approaching single market. They bad to develop tbe technical expertise on how to do it.

Noting that there was not one merger and acquisition course being taught at any Swiss graduate business school, Mr Edelman joked, "I've come to apply for that position."

La Générale controls 90% of Vielle-Montagne

By Tim Dickson in Brussels

SOCIETE GENERALE de Belgique, the powerful Belgian holding company, announced yesterday that it now controlled 90 per cent of Vielle-Montagne, the Belgian zinc refiner, and that it intended to mop up the rest of the shares.

La Générale, in the throes of a major strategic reorganisation following this year's dramatic takeover struggle, said it had added to its existing 50 per cent stake by buying around 40 per cent of Vielle-Montagne "from several groups of shareholders" at a price of BFr12,000 ($321) per share.

A large parcel of this stock – perhaps as much as 35 per cent – is known to have been held by a group of Flemish investors via Fiin, a Luxembourg-based company.

Yesterday's deal, which values Vielle-Montagne at BFr9.7bn, is seen as an important step in La Générale's plans for the non-ferrous metals sector. The company's only comments yesterday were that it would "reinforce its presence" in this area and "facilitate the management and long-term development of Vielle-Montagne."

However, analysts pointed out that the purchase removed a potentially awkward blocking minority and could clear the way for possible co-operation between Union Miniere (La Générale's 100 per cent-owned subsidiary) and an industrial partner.

It is thought that La Générale may recently have increased Union Miniere's stake in Metallurgie Hoboken-Overpelt to around 75 per cent.

Inco delays placing

By David Owen in Toronto

INCO, THE world's largest nickel producer, is deferring until next year a decision on whether to proceed with a planned C$265m (US$214m) issue of 12-year debentures.

The issue was to have helped finance a US$1.05bn pay-out to shareholders proposed by the company as part of a controversial recapitalisation plan. The recapitalisation also includes Canada's first "poison pill" shareholder rights plan, designed to deter hostile takeovers.

The company said the buoyant nickel market meant that the proceeds from the so-called "nickel note" offering were no longer required for the present.

The proposed recapitalisation – unveiled last month – has been criticised by many observers both for attempting to delegate responsibility for assessing takeover offers from shareholders to the board, and for exposing Inco to an unacceptably high debt load.

Arco offer to raise $1.2bn

By Our Financial Staff

ATLANTIC RICHFIELD, the US oil company, is set to raise between $1.2bn and $1.36bn through an initial public offering of 40m common shares of its wholly-owned Lyondell Petrochemical subsidiary.

The company said 32m shares would be sold in the US and 8m overseas, at an expected price of $30 to $34 per share.

Arco said after the offering it would continue to own about 50 per cent of Lyondell, or 42.5 per cent if underwriters exercised over-allotment options for another 4.8m shares in the domestic offering and 1.2m in the international offering.

Arco said it would use net proceeds from the offering and the $500m special dividend for corporate purposes – including a possible expansion of its stock repurchase programme.

Micron aims to beat the boom and bust chip cycle

The Idaho company is confident it can ride the next dip with long-term business, reports Louise Kehoe

After years of struggling for survival, Micron Technology is flourishing. The Boise, Idaho-based manufacturer of compnter memory chips has reported record sales and profits for the past three quarters and is in the midst of an expansion plan that will eventually triple its production capacity.

Micron's fortunes have turned npon the hoom and bust cycles of the market for Dynamic Random Access Memory (Dram) chips, in which it specialises. Currently, a serious worldwide shortage of Drams has inflated prices and created a sellers' market. Although the shortage could be fleeting, Micron aims to build on its present strength to create a stream of steady long-term business that will soften the blow of the next market dip.

The keystone of Micron's strategy was set in place last month when the company agreed to supply Amstrad Computer with guaranteed quantities of scarce memory chips in return for a $75m equity investment by the British personal compnter company.

Amstrad acquired a 9.8 per cent stake in Micron and is assured of up to 9.03 per cent of the chip maker's output.

Micron's goal is to insulate its business from the Dramatic price gyrations that have typified the memory chip market for the past decade. In related moves, the company has offered its cnstomers long-term, non-cancellable supply contracts. More than 20 of Micron's largest customers have agreed to such arrangements, says Mr Joseph Parkinson, chairman and chief executive.

Micron has also recently signed an agreement with Intel, a major US chip maker which withdrew from tha Dram market three years ago. Micron supplies Intel with Drams which it, in turn, sells to its customers.

With its long-term contracts and partnerships, Micron is setting the pace for an industry-wide trend towards closer ties between chip suppliers and their customers.

However, from the ontset, Micron has been an industry maverick. In the early 1980s, when other US semiconductor makers were despairing of the memory chip market as a lost cause in the face of Japanese competition, Micron set out to prove that a small, US start-up could challenge the might of the major Japanese producers.

When conventional wisdom held that the only hope for US chip makers was to concentrate upon specialised proprietary designs, Micron jumped headlong into the "commodity" end of the chip business where prices, rather than performance or features, are the basis of competition.

MICRON'S FIVE-YEAR RECORD ($m)	Revenue	Pre-tax profit (loss)	Shareholders' equity
1983	13.1	(2.64)	12.2
1984	87.3	36.51	89.3
1985	75.9	(5.56)	82.1
1986	48.9	(33.94)	79.1
1987	91.2	(22.93)	72.6

Losses in brackets

"We are willing to compete head on," says Mr Ward Parkinson, vice-chairman of Micron. "We don't believe in trying to hide from the competition in 'niche markets'."

Micron's advantage lies in the talents of its original chip designers, who managed to come up with a Dram chip design that was significantly smaller, and thus cheaper to produce, than any other. With subsequent products, including other types of memory chips, Micron has been able to maintain this cost advantage.

Micron sold its first chips in 1982, and grew rapidly to sales of over $87m in 1984. However, by early 1985 the company was feeling the effects of intense price competition from Japan. In an action that drew severe criticism from other US semicondnctor firms, Micron slashed its prices to try to remain competitive. According to some in the US industry, Micron fuelled the price war that drove most US chip makers out of the memory chip market. Micron maintains it was forced to cut prices by Japanese dumping.

In another precedent-setting move that would elevate the US semiconductor industry's trade bettle to the political arena, Micron filed a major dumping suit against Japanese makers of 64K Drams in June 1985. This, and later semiconductor dumping suits, led eventually to the signing of the US-Japanese Semiconductor Trade Agreement, under which US prices of Japanese memory chips are currently regulated.

While government intervention in the memory chip market may have provided Micron Technology with a welcome opportunity for expansion and windfall profits, huge challenges remain. Micron is developing a 4-Megabit Dram which it expects to bring to market next year. Japanese semiconductor producers have already begun selling samples of 4-Megabit Drams, so Micron will once again be playing catch up with its competitors.

"We were three-and-a-half to four years behind the Japanese with our first product, the 64K Dram," Mr Parkinson notes. That gap has been steadily narrowed over the past six years. "We will be a year or so behind on the 4-Meg Dram, and I'm looking forward to the next generation."

Micron may also face a new slate of competitors as it enters the 4-Megabit chip race. Growing concerns about the Dram shortage are persuading other US chip makers to consider re-entering the field. Already Motorola, the second-largest US semiconductor company, has announced plans for Dram production in the US as well as in Japan through a joint venture with Toshiba. Texas Instruments, the largest US chip maker, is also expanding its Dram production lines.

Japanese semicondnctor companies have also announced plans to expand their Dram production, after a year of holding back on capital investments in an attempt to calm trade friction.

Korean semiconductor producers are also beginning to make their mark in the Dram market. Signalling his interest in a new trade battle, Mr Parkinson notes that his products face a higher than 30 per cent tariff barrier in Korea, while the fast-growing Korean semiconductor industry can export its products to the US tariff-free.

The promisa of increased supply, coupled with uncertainties about the outlook for the computer industry, lead some industry analysts to predict a glut of Drams by 1990.

However, Micron is confident it can ride out the next cycle. The company has plans to diversify its product line to include microprocessors and digital signal processors, as well as different types of memory chips.

The desktop computer industry, which represents Micron's major customers, buys about 15 different types of semiconductor components in high volume, Mr Parkinson points out. "Within five years, I expect them to be buying just four or five parts. If we can become a major supplier of three or four of those parts, then I will be very pleased."

Micron aims, he says, to become the first US semiconductor start-up in over a decade to become "a broad line semiconductor supplier to one segment of the computer industry." If Micron succeeds, it will once more have proven the industry's experts wrong.

Nabisco unveils bidding rules

By Anatole Kaletsky in New York

RJR NABISCO announced a set of uniform ground rules to be followed by all bidders for the company and said it welcomed the involvement of the three groups of investors that have expressed a willingness to bny the giant tobacco and foods business.

At the same time the RJR directors said they might consider selling parts of the company's food and tobacco businesses in separate auctions and were exploring other options for maximising shareholder values.

All offers for the group as a whole or for the tobacco business as a separate company would have to be submitted in sealed bids by midnight on November 18, said Mr Charles Hugel, RJR's non-execntive chairman and head of the special committee of outside directors selected to make recommendations to shareholders on the buy-out proposals.

The RJR announcement, made late on Monday, appeared to put on an equal footing all three of the potential bidders – Kohlberg Kravis Roberts, Forstmann Littla and a group led by RJR's chief execntive, Mr Ross Johnson.

Meanwhile, controversy over the incipient three-way auction for RJR continued to grow on Wall Street, as it emerged that several large pension funds were investors in both the KKR and Forstmann Little leveraged buy-out pools.

This meant that in an auction these funds, which included the New York, Wisconsin, Massachusetts and Hnghes Aircraft retirement funds, would in effect be bidding against themselves.

It also emerged that KKR'e investors included the Ralston Purina pension fund, whila Ralston Purina itself was part of the Forstmann Little group. RJR's own pension fund, meanwhile, turned ont to be an investor in the Forstmann Little buy-out pool.

While the membership of the investor group put together by Mr Johnson and his bankers, Shearson Lehman Hutton, was not clear, it was widely speculated that this gronp might involve further overlaps.

Nylex in fresh capital issue

By Chris Sherwell in Sydney

BTR Nylex, fast-expanding Australian subsidiary of BTR of the UK, yesterday announced a major capital raising of A$540m (US$450m) only four months after a A$756m rights issue.

The move means the parent, which has a 62.5 per cent shareholding, will have injected some A$810m into its offshoot this year to help fund a clutch of acquisitions, including the industrial group, ACI, and the New Zealand company, Feltrax, which is in the pipeline.

According to yesterday's announcement, BTR Nylex will issue 60m non-maturing subordinated convertible notes at A$9 each. The proceeds will be used to retire debt and provide working capital.

It was confirmed that the parent would subscribe for A$337.5m worth of the notes, representing 62.5 per cent of the total, and that it has the right to accept up to A$90m in oversubscriptions.

The remaining A$202.5m in notes will offered to institutional investors in Australia and abroad, and are underwritten by the National Australia Bank and Roach Tilley Grice, part of the Elders IXL group.

The notes, for which applications close on December 15, carry a coupon of nine per cent, and can be converted into shares between July 1990 and November 1998. Those that are not converted become perpetual debt.

News of the issue, which is designed to strengthen BTR Nylex's balance sheet, took a toll on the group's shares, which fell 20 cents to finish at A$8.80, below the notes' issue price.

BTR Nylex is currently buying 80 per cent of Feltrax from New Zealand's Equiticorp group. When the deal was first announced last month, it valued Feltrax at NZ$935m ($584m). However, the purchase will no longer include NZ Steel, for which Equiticorp has said it will find a buyer.

BTR Nylex acquired ACI in March for A$1.6bn and embarked on a rights issue and a series of assets sales to help reduce gearing. The purchase contributed heavily to the group's sales and earnings for the six months to June.

INTERNATIONAL COMPANIES AND FINANCE

Sumitomo Heavy breaks even after two-year loss

By Gordon Cramb in Tokyo

JAPAN'S Sumitomo Heavy Industries has broken even for the first time in two years, after severely scaling down its lossmaking shipbuilding division, and expects to achieve Y2bn in pre-tax profits for its current full year.

In common with other Japanese heavy engineering groups, Sumitomo Heavy has been striving to build on its other activities – which range from cranes to injection moulding machinery – and leave shipbuilding at less than 15 per cent of its business, while diversifying further into areas such as marine leisure facilities.

For the first half which ended in September, the company made profits of Y626m before tax, compared with losses of nearly Y2bn last time and Y1.4bn for the whole year to March, by which time its recovery plan was already producing an effect.

Sales in the latest period were down 2.8 per cent to Y87.6bn, but Sumitomo Heavy said the bulk of this year's deliveries of ships and large equipment was due in the second six months. Full-year revenues are forecast at Y240bn, up by a sixth.

● Sumitomo Electric, Japan's biggest maker of wires and cables and another member of the Sumitomo family of companies, has increased pre-tax profits 4.2 per cent to Y10.8bn in the six months to September, as the effect of a 10 per cent gain in sales to Y284.1bn was dampened by lower margins on automotive supplies.

During the period, the company also made its first acquisition abroad, the $22m purchase of Judd Wire, which has plants in Massachusetts and California and employs about 150 people. The company plans to expand electric wire operations there.

Yesterday, Sumitomo Electric revised upward its forecast for the full current year to next March. It now envisages pre-tax profits ahead 5.5 per cent to Y25bn on sales 7.3 per cent higher at Y590bn.

Japanese appetite for travel boosts JAL

By Gordon Cramb in Tokyo

INTERIM RESULTS from Japan Air Lines (JAL), the international flag carrier in which the state sold its remaining stake a year ago, have again showed benefit from the growing Japanese appetite for foreign travel. Pre-tax profits emerged 23.1 per cent higher at Y38.6bn ($309.7m).

The airline said yesterday that "the strength of the yen continued to fuel the Japanese overseas travel boom, with Japanese overseas travel increasing at a greater rate."

However, foreigners are finding Japan an expensive destination. JAL added that "non-Japanese passenger traffic fell slightly" in the first half to September, while international cargo revenues also took a dent from intensified competition.

Sales overall were up 11.4 per cent to Y480.9bn. JAL carried 10.1m people during the six months, of whom 3.9m were on international routes, where traffic rose 12.4 per cent, compared with 11.3 per cent on flights within Japan. The passenger load factor, a key indicator of capacity use, rose 2.5 points to 74.5 per cent.

For the full year to next March, JAL expects pre-tax profits of Y37bn, representing a rise of 14.1 per cent, on revenues of Y920bn.

Polyester fibre makers ahead

By Gordon Cramb in Tokyo

TEIJIN and Kuraray, two leading Japanese producers of polyester fibre which have both diversified into pharmaceuticals, yesterday reported improved pre-tax profits for the September half-year.

At Teijin, despite a slight dip in sales to Y153.2bn from Y155bn, profits before tax rose 15 per cent to Y18.4bn. The company experienced good demand for its industrial textiles and drugs.

However, an extraordinary write-off because of accounting changes left net earnings lower, at Y8.21 per share compared with Y9.35.

Sales by Kuraray were up 6.9 per cent to Y102.9bn, pre-tax profits more than doubled to Y4.6bn from Y2.2bn and earnings per share were Y5.46 against Y3.87. The company is introducing an interim dividend of Y2.50 per share, but this is merely to spread the total annual payment, which is intended to remain at Y5.

Kuraray attributed much of its success during the period to its internationally marketed resins used in food packing and for making textile glue. The group also sees a recovery under way in the synthetic fibre market, where it had been cutting unprofitable exports.

Its full-year forecast is for a 72.7 per cent jump in pre-tax profits to Y9.6bn, while Teijin expects a 6.6 per cent rise to Y35.5bn.

Beer sales lift SA Breweries

By Jim Jones in Johannesburg

A 10 per cent increase in beer sales and strong growth in mass consumer market demand combined to lift South African Breweries' turnover by 22 per cent in the six months to September 30. The directors believe consumer demand will cool over the next six months, but nevertheless expect a satisfactory though slower increase in earnings for the financial year as a whole.

The interim turnover was lifted to R4.70bn from R3.84bn in the corresponding period last year. The interim trading profit before tax and interest rose to R363m from R279m and the first half's pre-tax profit was R292m against R222m. For the last financial year as a whole, turnover was R8.68bn, the trading profit was R746m and the pre-tax profit was R636m.

Consumer demand was particularly strong during the first part of the year. However, SA Breweries' subsidiaries marketing consumer durables have warned that demand is likely to tail off. In contrast, beer sales are rising strongly.

The first half's earnings increased to 51.1 cents a share from 40.0 cents and the interim dividend has been raised to 20 cents from 16 cents. Last year's full earnings were 146.5 cents with a 66 cent dividend.

SA Breweries is controlled by Premier Group which, in turn, is controlled by Anglo American Corporation.

Citizen up, but Seiko slumps

By Gordon Cramb in Tokyo

A DIVERGENT earnings outcome was reported yesterday by Hattori Seiko and Citizen Watch, Japan's two biggest watchmakers.

Citizen, smaller but for some years notably more profitable than the market leader, pushed pre-tax profits 83.9 per cent higher in the half-year to September to stand at Y6.7bn ($53.8m), on sales that rose 11.1 per cent to Y89.1bn. At Seiko, where turnover of Y140.5bn was ahead 3.3 per cent, profits were only Y1.4bn, down 31.9 per cent.

Seiko ended its last full year Y1.3bn in the red, but expects to manage Y2.5bn in profits for 1988-89. Citizen expects its full-year result to be nearly two-thirds higher at Y13bn.

For both companies, watches account for about 60 per cent of sales. However, whereas Seiko is diversified into other consumer areas such as fashion jewellery, Citizen has been building a presence in machine tools and office equipment, setting up a printer factory in the UK.

Lion Match sees more growth

By Jim Jones in Johannesburg

LION MATCH, the South African matches and consumer goods manufacturer, lifted sales by 28 per cent in the half year to September 30 and expects further profit growth during the remainder of the year.

The first half's turnover increased to R118.3m in the six months to September 30 1988 from R92.4m in the corresponding period of 1987. The interim trading profit before interest and tax rose to R14.0m from R10.1m and the interim pre-tax profit was R11.8m against R9.1m. In the last financial year turnover totalled R189.5m, the year's trading profit was R17.8m and the pre-tax profit was R15.3m.

Lion concentrates on marketing consumer non-durables which, retail analysts believe, are less likely to be affected than durables as higher interest rates and tighter credit controls restrict consumer spending.

The first half's earnings rose to 14.1 cents a share from 12.1 cents and an interim dividend of 5.5 cents has been declared. Last year's interim dividend was 35 cents while the years's earnings totalled 22.1 cents. Last year's total dividend was 35 cents.

Bank Leumi appoints chairman

By Laura Blumenfeld in Jerusalem

A NEW board of directors has taken office at the scandal-weary Bank Leumi le-Israel, one of Israel's leading banks.

In its first meeting, which was convened jointly with the members of the outgoing board, Mr Moshe Sanbar, a former governor of the Bank of Israel, was named chairman.

In addition, Mr David Friedman, managing director of Union Bank of Israel, the country's sixth-largest commercial bank, was designated the new chief executive officer.

Mr Friedman will replace Mr Zadik Bino, one of Israel's most admired bankers, within a few weeks. Mr Bino has agreed to serve as a special adviser to the new board until it publishes its 1988 results.

Mr Sanbar will fill the gap left by Mr Meier Heth. Hs resigned in September, under pressure from the Bank of Israel.

Mr Heth was one of many Bank Leumi officials blamed for tha "golden handshaka" awarded to Mr Ernest Japhet, a former chairman. Mr Japhet was forced to resign after being implicated in a massive share-manipulation scandal in October 1983.

The new chairman said he was sorry about the circumstances which led to the resignations.

Afrox lifts sales by 26% for 12 months

AFRICAN OXYGEN (Afrox), the South African affiliate of BOC International of the UK, lifted sales 26 per cent in the year to September and expects to maintain growth in the current year, writes Jim Jones.

Turnover for the year rose to R567m ($139m), from R448m, while the trading profit before interest and tax was lifted to R112.1m from R89.4m and the pre-tax profit increased to R110.3m from R89.4m.

The ysar's earnings increased to 193.4 cents a share from 152.8 cents.

Seat passes milestone on road to profit

Kevin Done assesses the impact of the company's turnaround on Volkswagen's plans

SEAT, Spain's largest car manufacturer and a subsidiary of Volkswagen of West Germany since 1986, expects to make a profit this year for the first time in 11 years, a further milestone in the current boom in the Spanish motor industry.

Mr Juan Antonio Diaz Alvarez, Seat managemant board chairman, said the group expected to make a net profit of about Pta1.8bn ($15.3m) compared with a loss of Pta3.3bn in 1987 and a loss of Pta28.4bn in 1986.

Tha improvement in tha company's fortunes has been achievad much faster than Volkswagen thonght possible in 1986, when it acquired its present 75 per cent stake in two stages. It is committed to taking 100 per cent control by the end of 1990.

The turnround comes as the group is poised to announce next month the details of an ambitious investment programme aimed at modernising and expanding Seat's outdated production facilities by the early 1990s.

Spain has been a big target for investment by some of the world's leading automotive groups, including Ford and General Motors. It is now the sixth largest manufacturer and fourth largest exporter of cars in the world. In Europe, only West Gemany, Italy and France manufacture more cars.

It is already clear that Seat is to build an assembly plant at Martorell, about 30km from Barcelona, with a capacity for producing close to 350,000 cars a year, at a cost of more than DM3bn ($1.7bn).

However, this could prove to be only part of a much more ambitious DM8.5bn 10-year spending programma which would also modernise Seat's component production, particularly transmission prodnction and engine assembly, as well as donbling its design and development and engineering resources.

Tha Martorell plant is planned to come into operation in 1992 – probably to coincide with the introduction of a replacement model for Seat's best-selling Ibiza small car.

Mr Diaz Alvarez said that future Seat models would aim at having as many common components as possible with Volkswagen – in particular engines and transmissions – whila maintaining a clearly distinctive appearance.

"We have identified a strong trend towards Latin looks combined with German quality and robustness. We are working with Giugiaro (a leading Italian car designer) to get the essence of Italian and Mediterranean design and the Germanic feel of VW."

Volkswagen is still weighing np the advantages of sourcing components for Seat cars in the 1990s from new facilities in Spain or from existing production locations in other parts of Europe or in Mexico and Brazil.

In common with other leading automotive concerns, VW is increasingly looking to global sourcing of components. However, it is already clear that it is developing Seat and Spain as its main European centre for small car prodnction.

Seat, part of the Fiat group from its founding in 1950 until the Italian company pulled ont at the beginning of the 1980s, has brought the VW group a new marque in the lower segments of the European car market and has transformed its presence in southern Europe.

Production of the present Seat models is concentrated at the group's ontdated Zona Franca plant at Barcelona. Seat also produces the VW's Polo model undar licence at its Pamplona plant, a facility acquired from British Leyland in 1975.

Juan Antonio Diaz Alvares: expects Pta1.8bn profit

Seat's current production of about 1,530 vehicles a day of its own models – the Marbella, Ibiza and Malaga cars, and the Terra van based on the Marbella – is stretching the Zona Franca plant to its limits.

Production bottlenecks mean that some operations, chiefly for the production of engines, some gearbox components and press parts are operating three shifts a day, including Saturdays and Sundays.

If VW decides next month to locate component as well as vehicle assembly investment in Spain, it will have to modernise the existing engine assembly plant and other components production at Barcelona, as well as adapting Seat's transmission plant at Prat de Llobregat.

According to Mr Diaz Alvarez, Seat plans to increase assembly capacity (excluding Pamplona) from about 1,500 units a day or 330,000 vehicles a year at present to 2,000 cars a day or 400,000-450,000 vehicles a year by 1993-94.

It is expected that production of the new Ibiza and Malaga models would ba located at the Martorell plant, with production of the Marbella/Terra remaining at Zona Franca.

Seat's performance in the last two years has surpassed VW's best hopes. Total vehicle production (including VW Polo and Passat) jumped in 1987 by 20 per cent to 406,391 units from 338,548 in 1986. Mr Diaz Alvarez said output should rise by a further 8 per cent this year to 437,000-438,000 units.

In 1986 and 1987, Seat achieved a big leap in productivity, increasing production from 13.7 to 17.6 vehicles per employee. Sales jumped by 25 per cent to 262,000 last year, of which 108,000 were sold in the booming Spanish market – the fastest growing volume market in Europe in the last two years. The remainder were exported chiefly to Italy, France and West Germany. Exports to Germany almost doubled in 1987.

However, production constraints have meant that Seat has not managed to keep pace with the explosive development of the Spanish market.

Seat's success is crucial to VW as it vies with Fiat for leadership of the West European car sales league. Seat's share of the European market in the first nine months of 1988 was about 2.1 per cent (compared with 1.6 per cent in the whole of 1987) helping to give the VW group, which also includes Audi, a share of 14.5 per cent compared with the 14.7 per cent captured by Fiat, which includes Lancia, Alfa Romeo and Ferrari.

The other important strategic decision facing VW in Spain is whether to transfer all production of its Polo small car from its Wolfsburg headquarters in West Germany to Pamplona with its much lower labour costs.

Such a controversial move is being fought by the West German trade unions, but Mr Diaz Alvarez: "We expect this step will be taken."

Uncertain future for Springer Verlag

By Haig Simonian in Frankfurt

THE FATE of Axel Springer Verlag, West Germany's biggest newspaper group, may again be in the balance after a decision yesterday afternoon by a district court in Offenburg regarding pre-emptive ownership rights to a vital packet of shares.

According to the judgment, Mr Franz Burda and Mr Frieder Burda, the two brothers who owned a roughly 26 per cent stake in tha group, should have first offered the holding to their brother, Mr Hubert Burda, rather than having sold them to Springer family interests.

Their decision ended a complex affair which began in March this year, when the two Burdas reached agreement with Mr Leo Kirch, a Munich film magnate, to pool their stakes in the gronp. This potentially gave them overall control and upset the delicate balance of power established after the death of Mr Axel Springer, the company's founder.

The following month, the two Burda brothers appeared to reverse their decision, leaving Mr Kirch high and dry. They instead decided to sell their stake to the Springer family for a sum estimated at abont DM500m, guaranteeing the latter continued control of the group.

Mr Hubert Burda took his two brothers to court, claiming that he had first right to the stake. The Offenburg court has now ruled in his favour.

Mr Franz Burda and Mr Frieder Burda now look set to appeal the ruling. According to Mr Herbert Warth, the chief executive of their family holding company, "it is incomprehensible to us how the court could have reached snch a decision."

While the Springer group itself has not commented on the latest legal twist, Mr Jürgen Todenhöfer, speaking for Mr Hubert Burda, said the latter would now have a chance to look at the details of the sale and draw his conclusions in the days ahead.

The Limited earnings flat

By Our Financial Staff

THE Limited, the US womens clothing retailer, yesterday reported flat third-quarter net earnings of $70.4m or 39 cents a share against $69.2m or 36 cents a year earlier, in spite of a rise in sales from $891.7m to $1.01bn

The company said that in the latest third-quarter, profits at Limited Stores fell below levels in the year-ago period and store-for-store sales lagged.

It said, however, that it expects the Limited Stores division to see "significantly improved" fourth quarter sales and earnings compared with year-ago figures.

For the first nine months net earnings were $125m or 69 cents a share against $171.9m or 90 cents. Sales rose to $2.71bn from $2.52bn.

Poulenc plans research move

By Peter Marsh

RHONE-POULENC, the big French chemicals company, is to open a research laboratory near Tokyo by the end of next year in the hope of moving closer to customers in the Japanese antomotive and engineering industries.

Mr Jean-Marc Bruel, director general of Rhône-Poulenc, said he hoped the centre would employ up to 200 people within a few years. The cost of the laboratory has not been disclosed but is thought likely to come to abont FFr300m ($49m) by the early 1990s.

The establishment of the laboratory is part of a strategy by the state-owned group to site more of its research and development outside France. At present about four-fifths of the company's work in research takes place in France.

The announcement is a sign of the increasing interest by many of the West's big chemicals companies in moving closer to customers in Japan through the setting np in that country of research centres.

These companies also believe that by basing scientific facilities in Japan they will be able to take advantage of new research ideas permeating from Japan in areas such as materials technologies and biological sciences.

Among tha chemicals groups which have announced research ventures in Japan in recent years have been Glaxo and Imperial Chemical Industries of Britain, Ciba-Geigy of Switzerland and Du Pont and Monsanto of the US.

DnC expects return to profit after record losses

By Karen Fossli in Oslo

DEN NORSKE CREDITBANK (DnC), the big Norwegian banking group, said yesterday that it expects to return to profit by 1990 after experiencing two consecutive years of record losses on loans and guarantees in 1987 and this year.

The bank bases its forecast on measures being implemented to cut domestic operating costs by one-third. On November 23 senior bank officials are to present a proposal to the board which calls for staff reductions of 1,200 and the closure of some 20 domestic branches (out of a total of 120).

However, DnC is to establish a number of so-called "competence centres" to handle more effectively its corporate and private accounts. The bank claims to have as customers 60 of Norway's top industrial companies.

The measures will be used to form the basis of the bank's operating budget for 1989, due to be presented next month.

An internal report on DnC's long-term strategy for the 1990s aims to address the challenges posed by the establishment of the European Community's (EC) single market. Norway is not a member of the EC, but DnC has a big international subsidiary in London with a staff of 150.

Last month the bank posted reduced operating profits and higher loan loss provisions for the first eight months of 1988. Operating profit fell to NKr551m from NKr875m last year.

Air Canada profits down

By David Owen in Toronto

AIR CANADA, the Montreal-based airline which was recently partly privatised through a C$245m share offering, has reported a 32 per cent decline in third quarter earnings.

Fare wars with the company's major domestic competitors were mainly responsible.

In all, the company earned C$45.2m or C$1.10 a share in the latest period, compared with C$66.4m in 1987. Operating revenue climbed by 2 per cent to C$962.3m, against C$945m a year ago.

For the nine months ended September 30, profits were down by 55 per cent at C$53.2m or C$1.29 a share, against a record C$119.2m in the corresponding year-earlier period. Revenues edged up to C$2.6bn from C$2.5bn in 1987.

With the market expected to remain extremely competitive for the foreseeable future, the company has now revised downwards its 1988 revenue forecasts.

The company's share price closed on Monday at C$7¼. The shares were originally issued last month for C$8 per unit.

INTERNATIONAL COMPANIES AND FINANCE

UK grocer Sainsbury lifts interim profits to £186m

By Maggie Urry in London

J. SAINSBURY, the UK supermarket group, yet again beat market forecasts of its interim figures, producing a 23.4 per cent rise in pre-tax profits to £186.4m ($330m) and a 20 per cent increase in earnings per share to 8.1p.

Sir John Sainsbury, chairman, said he was particularly pleased with the earnings per share growth – the rapid development of the group has not required substantial equity issoes.

However, while Sainsbury's ehares rose 4½p to 204½p on the news, there was little to cheer the rest of the UK food retail sector in the figures for the six months to October 1.

Like other grocers, Sainsbury has suffered a dull summer in food volume, with growth in existing stores only around 1 per cent. The outlook is for that dullness to continue.

It was a combination of new store openings and an improving mix of goods sold which helped sales in the Sainsbury chain to rise 10.9 per cent, to £2.53bn including VAT.

It took good cost control, the use of its electronic point-of-sale technology, and the margin gain from opening new shops to push Sainsbury's UK supermarket operating profits up 26 per cent to £166.3m.

Sainsbury reckons to make a oet margin 2 to 2½ percentage points higher in a typical new, 30,000 sq ft store than in a 10 year-old 15,000 sq ft shop. As it moves the balance of the chain towards the larger stores, the margin gain should continue.

Nineteeo new Sainsbory shops are opening in the current year and 22 next year. Thereafter Sainsbury has identified 165 places where it would like to open a new store or re-site an old one.

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Crédit Agricole sacks chief executive

By George Graham in Paris

The board of Crédit Agricole, Fraoce's largest banking group, yesterday fired Mr Bernard Auberger, chief executive of its Caisse Netionale central clearing organisation, after mounting pressure from inside and outside the bank.

Mr Aoberger will remain in office until November 25, and his replacement will be nominated that day.

The ousting of Mr Auberger, who joined Crédit Agricole in 1986 from the Société Générale bank, reflects the struggles after the bank's uneasy "mutualisation" under the last government.

The Caisse Nationale was sold earlier this year to the 92 regiooal co-operatives which make up the Crédit Agricole. It was hoped the move would redoce tensions between the centre and the regions.

Although Mr Auberger was reconfirmed in his post immediately after the mutualisatioo in April, he remains labelled as a relic of state ownership. Now that they own the Caisse Nationale, the regions want to assert their control.

But the Government retains the formal right to approve the new chief executive and a powerful bargaining tool in the shape of the Credit Agricole's cootiooed mooopoly over the distribution of subsidised state agricultural loans.

US group buys Northgate

By Alan Cane in London

MCDONNELL Donglas Information Systems, subsidiary of the US aerospace and automation group, has made its second UK acquisition in a week, paying an undisclosed sum for the London-based software house, Northgate Computer Services.

Earlier this week it took over Shape Data of Cambridge, pioneer in computer-aided design software.

Northgate, established in 1983, *turned over about £5m* ($9m) in 1987 and employs 65 people. It specialises in applications software for the financial services industry, local government and commercial organisations.

It has special expertise in applications software which runs on a computer operating system called "Pick". This is the basis of the operating system used on McDonnell Douglas minicomputers.

Mr Martin Jones, UK general manger of McDonnell Douglas Information Systems, said the acquisitioo underlined the company's commitment to the strategic growth areas of *finance and local government*, while providing it with a settlement system for stockbrokers and a pension fund management system for institutions.

Mr Jerry Lees, chairman of Northgate said the financial and marketing strength of McDonnell Douglas would enable additiooal investment and world-wide distribution for Northgate products.

McDonnell Douglas has been one of the most active US-based companies in the wave of mergers and acquisitions which is changing the face of the world software industry.

In April 1987, it acquired Isis Computer Services, software house specialising in National Health Service, local government and police, as well as payroll, personnel and pensions applications for industry and commerce.

French companies join in takeover of Sartomer

TWO FRENCH chemicals companies have pooled their forces to take control of Sartomer, US monomer and specialised polymer producer owned by Pooy Industries, part of the New York-based Horsehead Industries group, writes George Graham in Paris.

Atochem, chemicals subsidiary of the French oil group, Elf Aquitaine, and Orkem, which changed its name in September from CdF Chimie, will jointly take over Sartomer and split its activities between them.

Orkem will take the acrylic monomers and oligomers activities, where products are used mainly in the production of inks, varnishes and coatings.

The Elf snbsidiary, meanwhile, will take over Sartomer's activities in hydrolised polybutadiene (PBOH), used in the manufacture of special polyurethanes for water-proofing and insulating mastics and binders. These are used in rockets like Ariane and the US space shuttle.

Sartomer has total sales of around $75m a year.

Extel launches database on UK acquisitions

EXTEL Financial, a vendor of corporate information services, yesterday launched a computer-based service for specialists in UK mergers and acquisitions, writes Alan Cane.

The service is an electronic database of all public and private transactions involving UK companies. It will be updated daily and will eventually provide a comprehensive picture of merger and acquisition activity in the UK going back to the beginning of 1986.

The UK database is complementary to the system offered by Extel's US sister company, IDD Information Services. This has been marketed in the US for a year and has about 100 subscribers, says Extel.

All subscribers to the Extel service will be able to search the UK or the US database or a combination of the two. They will need a personal computer or a standard terminal to access the database, which is held on IDD Information Services' computer in New York.

Forty financial institutions in the UK will be taking the system on a trial basis.

INTERNATIONAL CAPITAL MARKETS

Trading stays subdued as US goes to the polls

By Dominique Jackson

THE US presidential election was the widely cited factor behind subdued trading and limited primary market activity seen in the Eurobond market yesterday.

A handful of issues emerged in non-dollar sectors while secondary prices of dollar-denominated bonds showed a firmer bias ahead of a widely anticipated win for George Bush and, according to some dealers, after news that Japanese Emperor Hirohito's health had deteriorated.

Syndicate teams were awaiting the outcome of the elections before launching any new dollar straights.

Reports were still circulating about the likely winner of the mandate for an anticipated substantial Eurobond issue for Portugal which will be used to refinance $700m of existing debt it is repaying. Merrill Lynch International could not confirm reports from other houses that it was the closest to clinching the mandate.

Elsewhere in the primary market, attention was focused on an anticipated Ecu-denominated issue for the European Community.

Wood Gundy led a five-year issue in Australian dollars for Royal Trust Corporation of Canada, the third deal at this maturity in the last few days, following the success of a A$125m issue for Deutsche Bank Australia late last week and Monday's issue for Unilever, the Anglo-Dutch chemicals and food giant, also led by DBCM.

The five-year sector of the market is still looking fairly attractive despite a slightly softer tone to the secondary market as a whole of late.

The credit of the borrower plus the attractive 13⅝ per cent coupon on the Royal Trust deal were expected to ensure a good level of retail

INTERNATIONAL BONDS

investor demand in the longer term. Although the terms of Monday's Unilever issue were considered on the tight side, the issue still offered a fair premium over some outstanding deals and the name of the borrower was also expected to provide a natural attraction for smaller investors in the Benelux countries.

Banque Paribas Capital Markets was the lead manager on a C$120m one-year deal for PKBanken which was launched with the needs of a particular investor group in mind, often the case with paper of a similarly short maturity. The deal was unaffected by the volatility in the Canadian dollar sector of the market where Eurobonds followed government issues down sharply on Monday in response to an opinion poll showing a reversal for Prime Minister Brian Mulroney's Conservative party, two weeks ahead of the Canadian election.

Dealers said yesterday that Eurobond prices had been marked down in what some called an emotional response to the poll but that large-scale selling of issues had not really been seen. Prices of Canadian dollar Eurobonds recovered yesterday in line with a technical bounce back on the government market.

In Switzerland, Union Bank of Switzerland led a subordinated SFr125m five-year issue for Provinsbanken in which Crédit Suisse and Swiss Bank Corporation, the other two members of the "Big Three" Swiss syndicate, declined to participate. They said that the terms were on the aggressive side and that some Scandinavian names could be difficult to place in the Swiss market.

However, leading German banks – including Deutsche, Dresdner and Commerzbank, who have recently joined the Swiss syndicate – came into the deal, which was trading in the grey market bid at a discount of 1⅜.

Among Swiss franc issues trading for the first time, a recent SFr100m 5¼ per cent deal for FAI Financial Services finished bid at 97⅝ compared with an issue price of 99.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Health Images§◆	15	6½	100	1998		Chandler Partnership
CANADIAN DOLLARS						
PKbanken◆	120	10¼	100¾	1989	⅜/½	Banque Paribas
AUSTRALIAN DOLLARS						
Royal Trust Corp.◆	75	13⅝	101¾	1993	2/1⅜	Wood Gundy
STERLING						
Birmingham Midshires‡◆	50	⅛(a)	100	1998		Baring Brothers
SWISS FRANCS						
Provinsbanken◆	125	4¾	101½	1993	n/a	UBS

◆Final terms. ‡Floating rate note. a) ⅛ over Libor. £150m announced in July - but only £100m issued with £50m on tap, which has now been launched. §Convertible.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	94⅞	95⅜	0	-0⅛	9.36
Amer. Brands 8⅞ 92	150	†95¾	96¼	0	-0¼	10.19
A/S Eksportfinans 7⅞ 93	100	†94	94½	0	-0⅛	9.08
A/S Eksportfinans 7¾ 92	150	94½	95	0	-0⅜	9.19
Barc. Bk. Fin. 10⅛ 89	200	†100⅛	100⅝	0	-0⅛	9.58
B.F.C.E. 7 92	150	†93½	94	0	-1	9.20
British Telecom 7⅝ 96	250	91⅞	91⅝	0	-0⅜	9.20
Cal.Natl.Telecom 8½ 93	160	†96½	97	0	-0⅛	9.43
Canada 9 96	1000	99⅛	99⅝	-0¼	-1	9.10
Canadian Pac 10⅜ 93	100	†102⅛	103⅜	-0⅛	-0⅛	9.80
C.C.C.E 7⅞ 91	113	†94⅛	95⅛	0	-0⅛	9.12
C.C.C.E 9⅛ 95	300	99⅞	99⅞	-0⅛	-1	9.31
C.N.C.A 9⅞ 93	150	100	100⅛	-0⅛	-0⅛	6.31
Credit Lyonnais 9 91	200	99⅛	100	-0⅛	-0⅛	9.14
Credit National 8⅛ 93	200	96½	97	-0⅛	-0⅛	9.15
Credit National 7⅞ 92	100	94½	95⅛	-0⅛	-0⅛	9.19
Credit National 7⅛ 91	150	94⅞	95⅛	-0⅛	-0⅛	9.16
Dai-Ichi Kan 9⅞ 92	150	100⅞	101⅜	0	-0⅛	9.25
Denmark 7⅛ 92	500	95⅛	94⅛	0	-0⅜	9.23
E.E.C. 7 91	100	94½	95	-0⅛	-0⅛	9.03
E.E.C. 7⅛ 93	250	93⅛	93⅞	+0⅛	-0⅛	9.08
E.E.C. 8 90	350	98⅜	99	-0⅛	-0⅛	8.85
E.I.B. 7⅛ 93	100	94⅛	94½	0	-0⅜	9.07
E.I.B. 9⅜ 97	150	†100	100⅜	0	-0⅜	9.32
Elec.De France 9 98	200	97⅛	97⅞	-0⅜	-0⅜	9.38
Finland 7⅞ 97	200	†91½	92	0	-0⅜	9.34
Finland 7⅛ 93	200	93½	94⅛	-0⅛	-0⅜	9.14
Finn.Exp.Cd. 8⅛ 92	200	97⅛	98⅜	0	-0⅛	9.14
Ford Motor Credit 8 91	250	†96⅞	97⅜	0	-0⅛	9.37
Gen Elec Credit 10⅛ 00	200	†100⅛	100⅝	0	0	10.16
G.M.A.C. 8 89	250	†97⅛	97⅛	0	-1⅛	0.12
Gen.Mtrs.Corp. 9⅛ 92	200	†99⅛	99⅞	0	-1	9.26
Halifax BS 9½ 93	200	†100⅛	100⅞	+0⅛	-0⅜	9.30
IBM Credit Corp. 8⅞ 91	250	99⅛	99⅝	0	0	9.12
Italy 9 90	1000	†99⅞	100⅛	0	-1	8.90
L.T.C.B of Japan 8 91	100	96⅞	97⅛	-0⅛	-0⅜	9.20
L.T.C.B.of Japan 8 97	200	91⅛	91⅝	-0⅛	-1	9.55
Merc-Benz Cd. 8½ 95	100	†95⅛	96⅛	0	-0⅜	9.35
Metropolis Tokyo 9⅞ 93	200	101⅞	102⅛	0	-0⅜	8.92
Morgan Guaranty Tst. 7 90	150	†96⅛	97⅛	0	-0⅜	9.42
Norway 8⅛ 93	500	98⅞	91⅞	0	-0⅛	8.96
Pepsico Inc 7⅛ 92	200	†93⅛	93⅛	0	-0⅛	9.10
Portugal 8⅛ 91	300	97⅛	97⅛	-0⅛	-0⅛	9.43
Prudential Crp. 8⅛ 96	125	†98⅞	99	0	-1⅛	9.02
Qantas Airways 10⅞ 95	140	104⅛	104⅝	0	-1⅛	9.44
Saskatchewan 10⅛ 92	100	†103⅞	104⅛	0	-0⅜	9.21
State Bk S Aust 9⅛ 93	100	99⅞	100⅛	0	-0⅛	9.26
Swed Exp Cred 7⅛ 91	100	†94⅞	95⅛	-0⅛	-0⅛	9.21
Swed Exp Cred 10 92	100	†101⅛	102⅛	0	-0⅛	9.28
Sweden 7 91	250	94⅞	95⅛	-0⅛	-0⅛	8.97
Sweden 7 92	250	†94⅛	94⅞	0	-0⅜	9.04
Sweden 8⅛ 96	200	97⅛	97⅛	0	-0⅜	9.21
Sweden 8⅛ 92	200	†98⅞	99⅛	0	-0⅜	8.80
Victorian Rep 11⅛ 92	150	106½	107	0	-0⅜	9.22
World Bank 7 92	300	†94⅛	94⅞	-0⅛	-0⅛	9.02
World Bank 9 97	300	†98⅛	99⅛	0	-0⅜	9.16
Yasuda Trust Fin 8½ 93	100	96⅜	97⅛	0	-0⅜	9.34

Average price change... On day 0 on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅛	102½	+0⅛	0	5.55
Avis Fin.SVS 5⅞ 92	100	100⅛	101⅛	0	+0½	5.53
Bank of Tokyo 5⅛ 93	100	101	101⅛	0	-0⅜	5.41
Central BK. Turkey 7 92	200	104⅛	104⅝	0	+0⅜	5.68
Commerzbank o/s. 5⅛ 93	300	100⅜	100⅝	0	+0⅛	5.23
Degussa Int. 6⅛ 97	200	100⅛	101½	-0⅛	+0⅜	5.95
E.I.B 5½ 98	150	95⅜	96⅜	-0⅛	-0⅛	6.06
E.I.B 6 97	300	99⅛	99⅞	0	0	6.07
E.I.B. 6⅜ 96	300	100⅜	101⅛	0	+0⅛	5.99
E.I.B. 6⅛ 97	400	99⅛	100⅜	+0⅛	-0⅛	6.08
E.I.O. 6⅞ 95	300	105	105⅝	+0⅛	+0⅛	5.94
Euro. Coal & Steel 5⅛ 97	175	98½	99⅛	0	0	6.07
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅛	102⅝	-0⅛	-0⅛	4.76
Belgium 4⅞ 94	45	98	98⅜	-0⅛	-0⅛	4.99
Canada 4⅛ 92	80	98⅞	99⅛	-0⅛	-0⅜	4.67
Elec. De France 5⅛ 94	20	100⅜	101⅜	-0⅜	-0⅜	4.93
Ireland 5⅛ 93	30	99⅞	100⅜	-0⅛	-0⅛	5.08
Norway 5⅛ 95	50	100⅛	100⅝	-0⅛	-0⅛	5.00
Rep. of Italy 5⅞ 92	150	103	103⅛	-0⅛	-0⅜	4.69
Sweden 4⅞ 93	50	99⅞	99⅛	-0⅜	0	4.74
World Bank 5⅞ 92	50	102⅞	103⅛	-0⅛	-0⅜	4.63

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10⅛ 93 £	50	98⅛	99⅛	0	-0⅛	10.56
Alg. Bk. Ned. 5½ 92 FL	150	98⅛	99⅜	+0⅛	+0⅛	5.88
Alg. Bk. Ned. 5⅞ 93 FL	200	95⅛	99⅛	+0⅛	+0⅛	6.01
Amro Bank 6⅛ 92 FL	150	100⅛	101½	+0⅛	0	5.90
Aust.Ind.Dev. 12⅛ 93A$	100	99⅛	99½	0	-0⅛	13.05
Barc. Bk. 10⅛ 97 £	250	97⅜	97⅞	+0⅛	-0⅜	10.66
BP Capital 9⅛ 93 £	100	96⅜	97⅛	0	-0⅛	10.64
British Airways 10 98 £	100	95⅜	95⅞	+0⅛	-0⅜	10.75
Bohrmann-Tet. 6⅛ 93 FL	100	100⅛	101	-0⅛	0	6.17
C.I.B.C. Mort.10⅜ 93 C$	100	†100⅛	100⅝	+0⅛	-0⅛	10.57
Comm.Bk.Aust. 12⅛ 93A$	100	97	97½	-0⅛	0	13.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

SWISS FRANC STRAIGHTS [illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

US judge condemns CBOT 'cesspool'

By Deborah Hargreaves in Chicago

A FEDERAL judge has dealt some harsh criticism to the Chicago Board of Trade, the city's oldest futures exchange, accusing it of conducting trades akin to the "horse and buggy era," in spite of computer technology.

Mr Marvin Aspen, the judge, clearly touched a nerve in Chicago exchange politics. The CBOT has made its resistance to computerised trading well known in light of a decision by its rival, the Chicago Mercantile Exchange, to move towards screen-based trading for its after-hours business.

Mr Aspen made his remarks when sentencing a former CBOT member for conducting an elaborate trading-fraud scheme. Claiming the year-long scheme was only "the tip of the iceberg" at the CBOT, he referred to the world's largest futures exchange as a "cesspool" of potential corruption, where "sham trades are a way of life."

Mr Thomas Sanders, a former soyabean and Treasury bond trader, was sentenced to six years' imprisonment and fined $300,000 for masterminding the fraudulent scheme.

Mr Aspen called for a complete investigation of trading practices at the CBOT, finding it unbelievable that investors could have any confidence in the system.

Riled by the judge's comments, exchange leaders responded with a joint statement, pointing out it had been the CBOT itself that had uncovered the fraudulent scheme.

The statement said: "To impugn the integrity of our institution... for the isolated transgressions of a few individuals... is tantamount to impugning the integrity of the entire US judicial system for the corruption of a few judges."

Oslo bourse in warning on corporate funds

By Karen Fossli in Oslo

NORWAY'S Finance Ministry is to consider suggestions from the Oslo bourse on how listed local companies can best raise venture capital in preparation for 1992 and the formation of a single European market.

In a communiqué to the finance committee of parliament, Mr Erik Jarve, the bourse commissioner, claimed that both listed and non-listed companies would need about NKr80bn ($12bn) of additional capital over the next five years in order to strengthen equity ratios.

At the end of 1987, company equity ratios had fallen to less than 19 per cent from 23 per cent two years earlier. Mr Jarve saw 25 per cent as a more appropriate guide.

Much of the fresh capital – possibly NKr8bn annually – would have to come from the stock market, he said. By contrast, the average corporate equity ratio in competing countries was about 30 per cent.

Last month, concern over the inability of Norwegian companies to raise venture capital domestically prompted the Government to appoint a 10-member ad hoc group to identify measures which could encourage capital supply.

Initial ideas will be presented on November 15 and long-term actions will be indentified by next March.

Bourse officials have made their own recommendations to the committee. These include a special tax write-off for the purchase of shares in newly-established companies and the postponement of a proposal to tax profits from the sale of shares which are reinvested in the share market.

Norway denies plans to drop turnover tax

NORWAY'S Finance Ministry has denied a report that the Government is considering scrapping the 1 per cent share turnover tax, Reuter reports.

The tax, which is split equally between buyer and seller, was introduced last year.

Westpac unit raises further A$105m

AUSTRALIAN Guarantee Corp, the finance arm of the Westpac Banking group, has raised a further A$105m (US$87.5m) on the domestic corporate bond market, Reuter reports.

The issue, which carried the same 12.5 per cent coupon and 1992 maturity as previous issues and went at the average yield of 14.25 per cent, takes the total raised since early September to A$400m.

AGC plans to raise at least A$500m from the institutional market.

INTERNATIONAL CAPITAL MARKETS

Protocol and etiquette depress Japanese issues

By Norma Cohen in London and Janet Bush in New York

AFTER AN early rally in Tokyo, Japanese government bonds slid in London trading as the health of 87-year-old Emperor Hirohito deteriorated.

A series of news bulletins on a Japanese wire service reported the Emperor's pulse rate to be falling and his temperature rising, with readers widely assuming his death as imminent.

The recent strength of the yen against the dollar has been underpinning government bond markets, and dealers acknowledge that had it not been for the flagging health of the Emperor buying of the securities by professionals would have been much more exuberant over the past few days.

"They don't want to be seen buying the living daylights out of something while the Emperor is dying," explained one bond trader at a Japanese bank. As the bulletins about the Emperor's health became more serious, trading in Japanese government bonds virtually ground to a halt.

Yields on the benchmark 105 JGB rose to 4.725 per cent from 4.675 per cent at the Tokyo close.

The health of the Emperor is creating a special dilemma for Japanese firms awaiting this week's US Treasury auction of 10-year bonds, which gets underway today. If the Emperor dies, foreign subsidiaries of the Japanese firms will be open for business, but exuberant securities purchases would be defined as unseemly.

The US plans to auction $9.5bn in new 10-year notes, a maturity typically purchased by Japanese accounts.

GOVERNMENT BONDS

THE US Treasury bond market traded quietly yesterday with little overall direction as traders waited for the outcome of the US Presidential election.

By midsession, as Americans went to the polls, prices were mixed. At the short end of the yield curve, prices were quoted as much as ⅛ point lower, while the long end stood as much as ⅛ point higher. The Treasury's benchmark long bond was only ⅛ point up at midsession to yield 8.95 per cent. In common with other financial markets, the bond market was banking on a victory for George Bush.

However, few traders were willing to bet on a substantial market rally should Mr Bush win because of concerns that the economy remains too robust for an interest rate fall in the near future. There is also concern that the Democrats will maintain large majorities in both houses of Congress, which could make governing difficult for a Bush administration.

An additional concern for the market this week is the quarterly refunding, with the sale of three-year and 10-year notes and a substantial cash management bill. There is some nervousness about how the dollar will behave after the election, a crucial factor in determining the level of overseas interest at this week's auctions. Yesterday saw the three-year note auction.

UK GOVERNMENT bonds edged up slightly, receiving only modest comfort from comments by Mr Nigel Lawson, the Chancellor, which ruled out a sterling devaluation as a means of easing the country's trade imbalance. While the currency posted some gains, gilts rose no more than ⅜ points in sluggish trading.

Attention remained riveted on the US Presidential election, although dealers were somewhat at a loss to explain the differences in economic policies between the two candidates. Conventional wisdom has it that if Democrat Michael Dukakis wins – an event seen as highly unlikely – US bond and currency prices will fall, bringing the gilts markets down with them.

CANADIAN government bond prices recovered by ¼ to ½ point after the sharp sell-off on Monday sparked by a Gallup poll showing the opposition Liberal party well ahead in the run-up to a general election, just two weeks away. The 10 per cent bonds due 2008 recovered by ¼ point to 101¼.

Dealers said that while there had been no change in political sentiment, specnlative accounts viewed the sell-off as overdone and as an opportunity to buy bonds at bargain prices. The currency also stabilised, rising slightly against the dollar.

THE OFFER for a Sch500m bond by Raiffeisen Finanzierung closes tomorrow. The first tranche is over 10 years at 6¾ per cent and 100.50 per cent, with a yield of 6.68 per cent.

The second tranche, over 12 years, is a floater with a coupon of 6 per cent and an issue price of 100.50 per cent.

The conpon will be reset once a year with a minimum of 5½ per cent and a maximum of 8½ per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	110-00	+2/32	10.29	10.07	10.07
		8.750	9/97	94-18	+2/32	9.68	9.66	9.66
		9.000	10/08	99-22	+2/32	9.03	8.95	9.03
US TREASURY*		9.250	8/98	102-11	+4/32	8.88	8.67	8.70
		8.125	5/18	101-29	+6/32	8.94	8.77	8.83
JAPAN	No 105	5.000	12/97	101.7532	-0.065	4.72	4.65	4.80
	No 2	5.700	3/07	106.6005	-0.205	5.01	4.90	5.11
GERMANY		6.500	5/98	101.0250	-0.025	6.38	6.30	6.53
FRANCE	BTAN	8.000	7/93	101.9860	+0.169	8.44	8.37	8.42
	OAT	8.500	6/97	99.8000	+0.175	8.55	8.48	8.58
CANADA*		9.500	10/98	96.8750	+0.250	10.00	9.78	9.74
NETHERLANDS		6.500	7/98	101.4750	+0.250	6.33	6.27	6.40
AUSTRALIA		12.500	1/98	103.2490	-0.282	11.90	11.90	11.83

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Nomura link with futures firm in doubt

By Deborah Hargreaves in Chicago

NOMURA Securities is widely believed to have called off talks on the purchase of a stake in GNP Commodities, the Chicago futures firm, marking a setback for the Japanese brokerage's move into the US futures and options business.

Nomura has been looking to buy into a US futures firm for several months in anticipation of changes in Japanese futures law, which will open up access to foreign markets.

The expected announcement by Nomura calling off any link with GNP follows a complaint filed against the Chicago firm by the Commodity Futures Trading Commission, the futures regulatory body, in mid-October. The complaint charges GNP and several of its employees with futures violations, including fraud.

While Nomura is still talking to several Chicago futures operations, it has fallen behind its competitors in the race to establish a foothold in the city's markets.

The other big three Japanese securities houses – Nikko, Daiwa and Yamaichi – have either registered or applied for clearing membership of both the Chicago Mercantile Exchange and the Chicago Board of Trade. While Nomura holds several seats on both exchanges, it has not organised its own clearing operation, which would allow it to execute orders directly for clients. The company believes the best way to gain entry to the business is by investing in an established firm.

Interest in financial futures and options has been on the increase in Japan following this summer's inception of two stock index futures contracts. Japanese firms have been able to trade foreign futures and options for their own accounts since May last year and Japan's Ministry of Finance is expected to permit them soon to trade on overseas exchanges directly for clients based in Japan.

The Japanese securities houses have been active in the Chicago markets for over a year and are looking to expand their futures activities.

Europe draws US money managers

By Hilary De Boerr

MOST US investment managers expect to increase their overseas equity holdings or maintain them at the same level over the next five years, but there is a growing degree of uncertainty on the issue.

A survey of 50 senior investment officers by Broadgate consultants, the New York-based investor relations company, found that 60 per cent of those interviewed thought they would put more money into overseas equities by 1994, or keep their investments at their present level. However, 6 per cent said they expected to decrease such investments and 34 per cent did not know what they would do.

In last February's survey, 94 per cent of money managers interviewed said they expected to boost their overseas investments or keep them steady over a three-year period; only 3 per cent said they would decrease those investments, and 3 per cent were unsure what action they would take.

The latest survey shows that the UK, Europe and Australia are now the most popular areas for overseas US investors, with almost half saying the UK offers good prospects over the next five years, followed by 42 per cent for mainland Europe and 30 per cent for Australia. The removal of internal trade barriers in Europe in 1992 is seen as positive, and a precursor to merger and acquisition activity there.

A degree of mistrust continues to surround Japan, however; the market is seen as overpriced and fewer than one in five of those interviewed see it as having "good prospects" – the lowest of the leading global markets. More than half believe Japan offers only fair to poor prospects.

The main reason cited for investing overseas is the potential for greater rewards, followed by lower risk and greater stock selection.

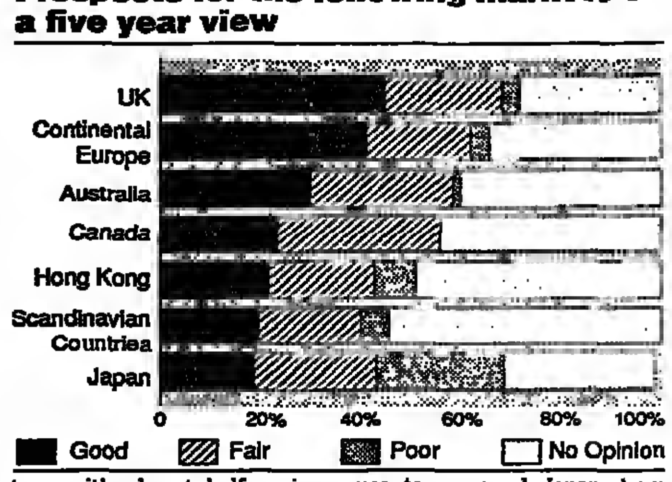
Broadgate found that US investment managers prefer to invest in foreign equities through American depositary receipts; 58 per cent favoured ADRs, 44 per cent preferred direct investment in the underlying shares and 6 per cent had no opinion.

One respondent said: "There's too much aggravation, settlement problems, currency conversion costs and other headaches associated with buying foreign securities on local exchanges."

The disclosure of financial information by foreign companies continues to be a bugbear for the US investment manager. Eighty-six per cent of those interviewed wanted more detailed financial information – and more of it, more often.

The survey says: "Information, and its translation into comparable data that American analysts are accustomed to using, is a problem central to generating more demand for the securities of non-US companies."

Prospects for the following markets on a five year view



Ecu T-bill sale oversubscribed

By Stephen Fidler, Euromarkets Correspondent

THE SECOND monthly auction of Bank of England Treasury bills denominated in European Currency Units was heavily oversubscribed yesterday, with bids for the Ecu750m on offer totalling nearly Ecu3bn.

The average yield on the bills at the auction was between 20 to 28 basis points below London interbank bid rates, the rate banks are willing to bid for Ecu in the London money market. This was in line with the market's previous trading levels.

The auction confirmed the view arising after the first auction that the idea had been a success. Nevertheless, with 29 market makers among those bidding for inventory, a significant oversubscriptioo was to be expected.

Several dealers admitted they were less aggressive in their bidding today than they were a month ago.

With the Ecu200m of one-month bills maturing from the October sale, there is now Ecu1.45bn of the paper outstanding. When it first announced its plans, the Bank envisaged total outstandings would reach between Ecu1bn and Ecu2bn.

The Ecu300m of one-month bills on offer were 1.8 times oversubscribed, and allotted at an average yield of 7.23 per cent, compared with 6.97 per cent last month. The highest yield accepted was 7.22 per cent and the lowest 7.10 per cent.

The Ecu250m of three-month bills were 4.2 times oversubscribed, yielding an average 7.26 per cent against 7.18 per cent last month. The yields accepted ranged from 7.18 to 7.28 per cent.

A further Ecu200m of six-month bills were offered, which yielded an average 7.27 per cent, the same as in the first auction. Yields on accepted bids ranged from 7.20 to 7.29 per cent.

Turkey frees interest rates on securities

By Our Financial Staff

TURKEY'S central bank has freed interest rates on private sector securities in a move aimed at enhancing local capital markets, *Our Financial Staff writes.*

The decision, which follows deregulation of commercial bank deposit rates, allows privately capitalised corporations *to set interest rates on security issues.*

Until now, annual interest on private sector securities in Turkey, including bonds and commercial paper, has been capped at 78 per cent.

Japanese banks to reveiw accounting rules

By Our Financial Staff

JAPANESE bankers plan to review current bank accounting standards to try to make them more understandable, according to Mr Kazuo Ibuki, chairman of the Federation of Bankers' Associations of Japan.

Some Japanese bankers have recently admitted that they artificially boosted bond dealing profits by transferring gains to dealing accounts from portfolio accounts for end-September balance sheets. They were able to do so because of vague accounting standards.

Mr Ibuki was quoted by a federation official as saying the review was needed because the current standards for foreign exchange transactions were established 10 years ago, and because of a need to reflect clearly bank results from a broadening product range.

Earlier this month it was announced that the MoF was investigating allegations of balance sheet "window dressing" by banks.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Nov 8 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Nov 7 Index No.	Fri Nov 4 Index No.	Thu Nov 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (211)	824.31	+0.9	10.54	4.09	11.73	22.79	816.84	823.10	824.43	618.07
2 Building Materials (29)	1046.53	+1.1	11.72	4.26	10.53	28.90	1034.87	1043.35	1044.39	805.67
3 Contracting, Construction (38)	1595.96	+0.2	11.84	3.74	11.01	40.69	1593.28	1605.28	1599.84	1115.39
4 Electricals (12)	2385.35	+0.7	8.70	4.56	13.98	64.48	2369.23	2376.53	2366.59	1661.76
5 Electronics (29)	1760.20	+1.5	10.12	3.56	12.72	42.54	1734.63	1755.77	1761.46	1432.09
6 Mechanical Engineering (57)	433.30	+0.8	10.08	4.13	12.17	12.69	429.93	432.21	433.42	296.26
8 Metals and Metal Forming (7)	516.28	+1.2	9.42	3.80	13.13	10.06	510.09	510.39	510.29	350.02
9 Motors (16)	286.42	+1.0	11.75	4.70	9.85	9.75	283.48	285.35	285.49	224.85
10 Other Industrial Materials (23)	1381.02	+0.5	9.59	4.43	12.32	43.06	1373.85	1383.75	1398.43	1051.78
21 CONSUMER GROUP (185)	1077.96	+1.0	9.33	3.73	13.48	22.72	1066.76	1075.29	1079.44	920.80
22 Brewers and Distillers (21)	1151.74	+1.1	10.29	3.58	12.26	23.00	1138.74	1142.95	1143.83	878.41
25 Food Manufacturing (21)	975.05	+0.8	9.05	3.89	13.97	19.54	967.35	981.48	983.19	733.48
26 Food Retailing (16)	1863.86	+1.4	9.45	3.62	13.97	42.90	1837.96	1853.18	1858.92	1048.05
27 Health and Household (12)	1874.37	+1.1	6.93	2.63	16.68	19.40	1854.23	1873.18	1889.42	1598.82
29 Leisure (29)	1433.24	+1.9	8.35	3.60	15.34	33.95	1407.16	1411.14	1416.40	949.66
31 Packaging & Paper (17)	557.64	+0.4	10.07	4.02	12.34	14.30	555.49	559.60	561.52	427.56
32 Publishing & Printing (19)	3489.71	+0.4	8.49	4.12	14.60	96.05	3476.70	3499.07	3467.32	2849.39
34 Stores (34)	741.19	+1.1	11.34	4.53	11.61	19.70	733.44	738.55	749.04	807.05
35 Textiles (16)	515.23	+0.3	13.50	5.39	8.70	13.91	513.67	519.73	520.36	519.92
40 OTHER GROUPS (92)	915.04	+1.0	11.04	4.40	11.04	23.05	905.67	912.51	915.86	759.18
41 Agencies (19)	1093.55	+0.6	8.06	2.54	15.62	19.25	1086.61	1092.02	1088.01	876.89
42 Chemicals (22)	1053.80	+0.9	12.12	4.84	9.91	37.79	1043.47	1054.02	1062.57	920.61
43 Conglomerates (12)	1264.13	+0.8	10.38	4.50	11.02	25.00	1253.84	1260.51	1258.66	975.19
45 Shipping and Transport (12)	1957.46	+0.9	11.61	4.73	11.27	50.63	1939.63	1951.30	1957.27	1543.55
47 Telephone Networks (2)	987.44	+1.6	11.24	4.51	11.54	20.38	971.70	981.21	987.50	847.13
48 Miscellaneous (25)	1245.69	+0.7	11.37	4.38	10.01	37.84	1237.04	1243.53	1248.29	1039.40
49 INDUSTRIAL GROUP (488)	982.55	+1.0	10.13	4.01	12.25	23.59	972.74	980.31	983.44	804.87
51 Oil & Gas (12)	1751.77	+1.3	10.74	6.35	11.92	76.79	1728.79	1741.16	1732.79	1545.18
59 500 SHARE INDEX (500)	1048.09	+1.1	10.21	4.33	12.20	28.05	1037.19	1045.17	1047.38	867.65
61 FINANCIAL GROUP (123)	693.14	+0.7	–	5.16	–	24.46	688.07	693.79	694.67	565.33
62 Banks (8)	668.06	+0.9	21.01	6.63	6.38	31.13	661.98	670.40	672.07	508.95
65 Insurance (Life) (8)	974.54	+0.5	–	5.44	–	39.81	969.83	975.42	968.76	830.54
66 Insurance (Composite) (7)	527.06	+0.6	–	5.93	–	24.04	524.17	528.37	528.04	454.26
67 Insurance (Brokers) (7)	951.31	+0.3	9.37	6.79	13.99	45.06	948.43	955.71	955.48	720.95
68 Merchant Banks (11)	351.69	-0.1	–	4.18	–	9.20	352.04	353.79	353.04	312.09
69 Property (51)	1255.22	+1.3	5.46	2.64	23.39	18.62	1238.97	1245.37	1251.56	826.07
70 Other Financial (31)	369.08	-0.3	10.35	5.40	12.15	11.75	370.18	373.10	373.42	341.44
71 Investment Trusts (77)	943.09	+0.8	–	3.11	–	16.97	935.50	940.97	938.86	726.15
81 Mining Finance (2)	575.37	+1.8	10.62	3.63	10.49	15.67	564.96	563.99	561.55	336.91
91 Overseas Traders (8)	1447.66	[illegible]	8.37	4.37	13.86	41.34	1447.77	1435.04	1418.04	806.08
99 ALL-SHARE INDEX (710)	961.04	+1.0	–	4.41	–	26.71	951.58	958.61	960.04	784.81

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 7	Nov 4	Nov 3	Nov 2	Nov 1	Year ago
FT-SE 100 SHARE INDEX ♦	1840.6	+20.9	1841.3	1827.2	1819.7	1834.3	1837.6	1843.2	1837.8	1573.5

FIXED INTEREST

PRICE INDICES	Tue Nov 8	Day's change %	Mon Nov 7	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	119.38	+0.08	119.37	0.08	10.20
2 5-15 years	137.24	+0.05	137.17	–	11.64
3 Over 15 years	148.40	+0.21	148.09	–	13.10
4 Irredeemables	170.25	+0.17	169.96	–	13.38
5 All stocks	134.14	+0.08	134.06	0.03	11.43
Index-Linked					
6 5 years	130.98	......	130.97	–	1.81
7 Over 5 years	129.51	+0.06	129.43	–	2.96
8 All stocks	129.40	+0.05	129.33	–	2.85
9 Debentures & Loans	118.40	+0.01	118.38	–	9.67
10 Preference	89.65	–0.29	89.90	–	5.38

AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 8	Mon Nov 7	Year ago (approx.)
British Government				
1 Low	5 years	9.75	9.75	8.08
2 Coupons	15 years	9.24	9.26	8.82
3	25 years	0.91	8.94	8.82
4 Medium	5 years	10.14	10.14	8.62
5 Coupons	15 years	9.47	9.48	9.02
6	25 years	9.14	9.16	9.01
7 High	5 years	10.28	10.29	8.68
8 Coupons	15 years	9.58	9.58	9.12
9	25 years	9.20	9.21	0.97
10 Irredeemables†		8.85	8.86	8.49
Index-Linked				
11 Inflation rate 5%	5yrs.	2.72	2.71	2.31
12 Inflation rate 5%	Over 5 yrs.	3.53	3.53	3.87
13 Inflation rate 10%	5 yrs.	1.62	1.61	2.51
14 Inflation rate 10%	Over 5 yrs.	3.37	3.37	3.92
15 Debs &	5 years	11.72	11.73	10.64
16 Loans	15 years	11.02	11.03	10.51
17	25 years	10.69	10.69	10.51
18 Preference†		10.04	10.01	10.82

♦Opening index 1827.2; 10 am 1834.0; 11 am 1833.9; Noon 1833.6; 1 pm 1835.3; 2 pm 1837.6; 3 pm 1839.0; 3.30 pm 1838.8; 4 pm 1840.7 (a) 4.10 pm (b) 9.00 am. † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	69	9	33
Corporations, Dominion and Foreign Bonds	17	2	32
Industrials	541	253	796
Financial and Properties	227	90	352
Oils	34	18	53
Plantations	0	1	12
Mines	37	38	115
Others	29	132	98
Totals	954	543	1,491

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	-	7	3	Amalgamated Fin. Wrrnts.	5		-	-	-	-
92	F.P.	-	105	99	‡Chieftain Group 5p	104	-1	R3.5	2.5	4.5	11.9
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
360	Nil	15/11	47pm	35pm	Anglia Secure Homes 10p	45pm	+5
45	F.P.	30/11	56	48	Benlox Hldgs. 10p	56	
30	Nil	-	2½pm	1½pm	Bennett & Fountain Grp 5p	2pm	
225	F.P.	25/11	259	246	Fitch Lovell 20p	259	
99	Nil	-	25pm	17pm	Howden Group	25pm	+5
255	Nil	-	48pm	45½pm	Polly Peck Int'l. 10p	45½pm	-½
85	F.P.	7/12	114	98	Queens Moat Houses 5p	114	
36	Nil	9/12	13pm	8pm	‡Regina Health & Beauty 2p	9pm	+1
310	Nil	9/12	35pm	20pm	‡Sims Food Group 5p	23pm	+3
42	Nil	8/11	10pm	2pm	Tysons 10p	2pm	
35	Nil	-	6pm	¼pm	West Trust 2½p	1pm	+½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings Nov 7
- Last Dealings Nov 18
- Last Declarations Feb 9
- For settlement Feb 20

For rate indications see end of London Share Service

Calls in Monotype, Boots, Control Secs, Tranwood, Normans, Blackwood Hodge, Sears, Lonrho, Waterford Glass, INOCO, Scottish & Newcastle, MS Cash & Carry, West Trust, Unigate, Exploration of Louisiena, Tubular, Chartsearch and BSR. Puts: Lonrho, Domino Printing and Trencherwood.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]							

November 8 Total Contracts 43,867 Calls 33,644 Puts 10,223
FT-SE Index Calls 7,084 Puts 3,516
*Underlying security price.

UK COMPANY NEWS

Acquisitions help boost Yale and Valor to £21.6m in first half

By David Waller

YALE AND VALOR, the locks and domestic appliances group which has been the subject of mucb bid speculation over recent months, yesterday announced a 15 per cent increase in earnings per share for the half year to the end of September.

In the first full half year since the £285m acquisition of *Yale Securities* and *Nutone* in June 1987, pre-tax profits climbed from £12.1m to £21.6m while fully diluted earnings rose from 10.59p to 12.17p. Turnover increased by £47m to £168.8m.

The dividend is raised from 1.8p to 3.45p as a way of redressing the traditional imbalance in payout between first and second halves; the company said that the effective rate of increase was 15 per cent.

There was no detailed breakdown of the group's performance, but Mr Michael Montague, chairman, said the figures reflected the benefits of an aggressive cost cutting programme at Nutone, the US manufacturer of home appliances and fittings such as centrally installed vacuum cleaning units, ventilation systems and door chimes.

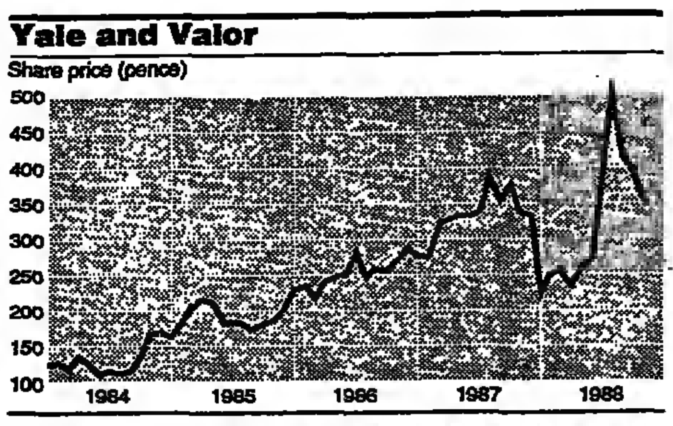
The chairman said that demand for security products had been good and would continue to improve. In the UK, cooker sales remained constant in a tigbt market, and the water heating division (led by Heatrae Sadia) had been helped by the introduction of new prodncts.

"The group is still on the look out for suitable acquisitions and remains aggressive about extending the business within its core areas of security and home comfort," Mr Montague said. Recent acquisitions include the £6m purchase of Elsy and Gibbons from BICC and Rixson-Firemark in the US for $39m.

Commenting on stakes held by Ingersoll Rand, the US industrial equipment manufacturer, and Williams Holdings, the acquisitive industrial conglomerate (with 4 and 3 per cent respectively), Mr Tony Marson, finance director, said that tbey were regarded as investors rather than predators – although he did concede that a bid from one or other of them was not out of the question. he confirmed that there have been no meetings with either of the companies since the summer.

● **COMMENT**

Prior to June last year, Yale and Valor was a gas and electrical appliances group finding it difficult to grow within the cyclical confines of the UK. The strategic acquisitions in the US took the company into a different league, although not without inducing doubts in ths minds of investors wbo suspected that Mr Montague had bitten off more than he could chew. Yesterday's figures, in line with expectations, must have dispelled the last lingering doubts abont the deal, reflecting rationalisation benefits at NuTone and strong conditions in the lock market, and demonstrating that the company's businesses are no longer quite so cyclical as they once were. The company is on course for pre-tax profits of £48.5m, putting the shares – up 1p to 351p yesterday – on a prospective multiple of 12¼. This would appear high on trading grounds alone, but the presence of Williams and Ingersoll, hoth perhaps attracted by Yale's strong brands, means that there is little downside from this level.




Mr Michael Montague, chairman

US disposal by Hanson takes SCM sale total to $1.3bn

By Andrew Hill

HANSON, the international conglomerate, is selling Allied/Egry and Walton Printing Company, US computer and business form manufacturers, to Allied Acquisition for $56m (£31.6m).

The payment incindes $51m in cash and the assumption by Allied Acquisition, an affiliate of private investor group Helson Associates, of $5m in debt.

At the same time Sir Gordon White, chairman of Hanson's *US operations*, announced the sale of General Paint of Mexico – the last remaining part of the Glidden coatings and resins subsidiary – to Akzo, the Dutch chemical group, for $4.2m.

Both companies were subsidiaries of SCM Corporation, the diversified US group with interests from chemicals to typewriters bought by Hanson for $930m in January 1986. The sale of SCM businesses since then has realised $1.3bn for the UK holding company.

Of that, some $623m has been received from the sale of Hanson's holdings in Glidden.

Hanson's New York office said yesterday: "Sir Gordon's philosophy is that if we are offered tomorrow's prices today, it is in the shareholders' best interests to accept."

Allied/ Egry and Walton Printing, based in West Carrollton, Ohio, make stock computer forms and high-volume custom business forms. In the year to September 30, 1987, they made $2.9m before tax on sales of $141m and their net asset value a year later was $41m.

General Paint returned pre-tax profits of $674,000 in the same period, on sales of $9.3m. Its current net asset value is $1.54m.

These deals follow last week's $185m sale of another subsidiary of SCM, Durkee Industrial Foods, to Unilever, the Anglo-Dutch consumer products group.

Superstores help Sainsbury to £186m despite dull market

By Maggie Urry

J. SAINSBURY'S increasing number of superstores and its tight control of costs helped it to show a 23 per cent increase in half year profits to £186.4m pre-tax, despite a dull trading background for food retailers.

Group sales, including VAT and US sales taxes, in the 28 weeks to October 1 rose 30 per cent to £3.06bn. However, this boost was largely due to the change in the treatment of Shaw's, the US subsidiary, which was included as an associate in the comparable period. It contributed sales of £437m, while UK sales rose by 11.5 per cent to £2.6bn.

The Sainsbury chain itself, whicb makes around 90 per cent of group profits, showed a 26 per cent rise in operating profits to £166.3m, on sales 10.9 per cent ahead at £2.5bn. Margins were about 0.8 percentage points up at 6.6 per cent.

Homebase, the group's do-it-yourself chain, nearly doubled operating profits to £4.2m, on a 31.5 per cent sales gain to £100.8m. Mr Ewan Davidson, group treasurer, said that an emphasis on own label products and the introduction of the chain's own distribution system had helped margins. He said there should be further improvements in margins as the chain grew.

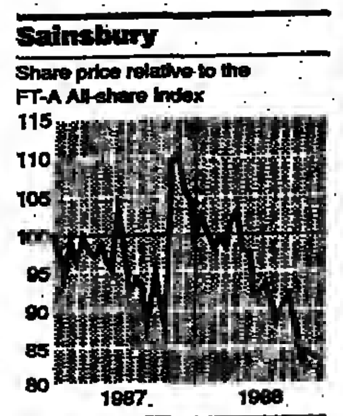
These two wholly-owned UK retail chains bore an interest charge of £1.1m compared to a £6.3m interest receivable last year. The swing is mainly because of the cost of developing the Sainsbury chain put at £500m a year. Mr Davidson said this will cause a cash outflow for the group this year of £100m, after cashflow and £100m of sale and leaseback deals. Gearing will rise to about 40 per cent by the financial year end, Mr Davidson predicted.

Shaw's made a pre-tax profit of £8.6m, *after financing costs* of about £1.9m. This compares with the associate contribution last year of £3.2m. However, Shaw's showed *only a* 3 per cent rise in operating profits in dollar terms due to the costs of extending into a new area of Massachusetts through an acquisition.

Profits from associates rose 13 per cent to £8.4m. SavaCentre, the hypermarket joint venture half-owned by the Storehouse group, showed a 20 per cent profit rise. However, profits from Haverhill Meat Products, a pork processing business, were only slightly ahead, while Breckland Farms, pig farmers, saw slightly reduced profits.

After an estimated 35 per cent tax charge Sainsbury showed a 20 per cent rise in earnings per share to 8.1p, and the interim dividend is up by the same proportion to 1.5p.

See Lex




Sir John Sainsbury, chairman: group sales 30% ahead

Uncertainty fuels worries of water companies

By Andrew Hill

LEE VALLEY and North Surrey water companies yesterday stressed the possible effect on their stock prices of uncertainty in the UK water industry.

They also warned there was little prospect of converting their fixed assets to alternative uses. The possibility of developing underused properties or land belonging to the companies has frequently been cited as a reason for large investors' interest in the sector.

The comments were made in the offer documents posted to stockholders by Compagnie Generale des Eaux, the French water supplier and service company which is bidding £41m for Lee Valley and £15.6m for North Surrey, through its subsidiary General Utilities.

Recommending the cash offers, the statutory companies warned of continuing uncertainty surrounding the Government's impending legislation. The Bill will propose tbe privatisation of the 10 water authorities, and, if passed, allow the companies which work alongside them to convert to plc status.

In particular, the companies emphasised the effect proposed regulation of the industry might have on tbe level of water charges and profitability, and recommended shareholders to accept the "certainty of cash" from General Utilities.

Lee Valley forecasted a surplus before tax of at least £3.4m in the year to March 31, 1989, an increase of 48 per cent, while North Surrey said it would make a surplus of £900,000 before tax and extraordinary items in the year to December 31, against £1.05m made in 1987.

Life Sciences expands in US with £13.2m purchase

By Andrew Hill

LIFE SCIENCES International, the manufacturer of medical diagnostics equipment, is expanding again in the US with the $23.5m (£13.2m) cash purchase of Savant, which makes vacuum centrifuges.

Just over a year ago, Life Sciences, then known as Phicom, almost doubled its size with the acquisition of Forma Scientific, a manufacturer of micro-biological equipment, for $56m in shares.

Life Sciences said yesterday that Savant, which supplies international chemical and biological research laboratories with equipment *for sample* preparation, would fit well with Forma.

The Savant deal will be financed by a seven-year variable rate US dollar loan facility, arranged by Robert Fleming, the investment honse, which will increase the group's gearing to about 65 per cent. The UK company, which had cash in hand at the end of 1987, said it expected the level of borrowings to be lower by the December year-end.

A wholly-owned subsidiary of Life Sciences is to acquire Rodale Electronics Corporation, which is the immediate holding company of Savant, but Rodale's other businesses – mainly in electronics and defence equipment – as well as its assets and liabilities, will be assigned to an unrelated company.

Life Sciences said it had adopted this structure for the deal to rednce Rodale investors' tax liabilities. As a result, Savant will be Rodale's only asset on completion.

In the year to May 31, Savant made operating profits, before management fees and interest, of $3m on sales of $10.6m. Savant's net tangible assets on that date were $2.6m, and the group has guaranteed net assets, after the elimination of all cash, debt and inter-company balances, of $2m on completion.

Savant is Life Sciences' third and largest US acquisition this year. In June the UK group bought Whale Scientific, a maker of disposable lab products, for $3.55m, and a month later added another supplier of lab products, E-C Apparatus Corporation, for $4m.

Geevor acquires US company for £168,000

Geevor, the Cornish tin mining company, has acquired Jedco Minerals of Pennsylvania for $300,000 (£168,000). Jedco operates an underground coal mine on the borders of Allegheny and Westmoreland County, east of Pittsburgh.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Alva Investment ......fin	1.3		1.3	2.5	3.9‡
Ambrose Inv Tst ......int	4.68		4.38	-	12.41
Aquascutum ......int	1	-	1	-	3
GEI ......int	2.14	Jan 16	1.94	-	5.85
Health Care § ......int	0.3	Feb 27	0.3	-	1
Henderson Admin ......int	7	-	7	-	27
McInerney Props ......int	1.5♣	Dec 9	1	-	5
Nat. Telecomm ......int	0.75	Dec 22	-	-	-
Rosehaugh ......fin	1.6	-	1.25	1.6	1.25
Sainsbury ......int	1.5	Jan 13	1.25	-	4.2
Stirling Group ......int	0.5	Jan 27	0.5	-	1.35
Yale and Valor ......int	3.45♦	Jan 6	1.8	-	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ¶Unquoted stock. ♦Third market. ♣Irish currency throughout. ‡For 18 months. ♦Partly to reduce disparity.

Rosehaugh net assets up £121m as profits double

By Clare Pearson

ROSEHAUGH, property company best known for its joint venture developments in London, more than doubled pre-tax profits from £15.12m to £30.38m, on turnover up from £59.86m to £78.72m, in the year to end-June.

With the tax charge reduced to £1.4m (£4.98m) after crediting £6.92m released from deferred taxation, earnings per share rose to 45.55p (19.69p).

Mr Godfrey Bradman, chairman, said: "The Board will continue to adopt a prudent approach to the management of the group's business, which is particularly relevant at the present time of uncertainty and volatility in the financial and property markets." Principally through its joint venture with Stanhope, Rosehaugh is involved in the Broadgate development in the City, as well as planned development of the King's Cross site and of the Royal Docks.

Construction of the final three phases of the Broadgate development is scheduled to begin progressively next year. Development finance has now been arranged for eleven of the fourteen phases.

Reported net assets increased during the year to £386m, or 584p per share, from £265m (430p). This includes the group's share of surpluses relating to the revaluation of the first two phases of both the Broadgate and Finsbury Avenue developments, as well as to the first-time valuation of the third phases of these developments.

Gross profit came to £20.37m (£11.73m). The share of the income of related companies amounted to £10.46m (£3.11m). Income from other fixed asset investments came to £868,000 (£1.13m), while other income receivable reached £9.65m (£6.78m).

A dividend for the year of 1.6p (1.25p) is being recommended.

Panel tells S&N to withdraw statement

By Lisa Wood

SCOTTISH & NEWCASTLE Breweries, at the request of the Takeover Panel, yesterday withdrew a statement in its defence document concerning its assessment of how cheaply Elders IXL's hostile £1.6bn bid valued the Scottish brewer's brands and breweries.

Elders, which is offering £4.0 per share for S&N, said the retraction wrecked S&N's entire defence document as far as it was concerned."

S&N alleged in its defence document, published on Monday, that Elders' directors were reported in an interview to be 'expecting to raise between £750m - £900m from the sale of S&N's pubs.

Using this figure S&N had estimated that Elders would raise up to £1.5bn from disposals of S&N assets. On that basis it claimed shareholders would receive the "paltry sum" of 25p per share for S&N's brands and breweries.

A statement issued by S&N yesterday said that the attribution to Elders concerning the £750m-£900m was based on an article in The Sun News-Pictorial (Australia).

The statement said: "S&N believed the article in which the chairman of Elders and a director of Courage were extensively quoted accurately reflected the Elders' view. This statement was not however attributed to them."

Elders is understood to have complained to the Panel on a number of other statements in S&N's defence document.

Peel increases stake in London Shop to 21.19%

By Fiona Thompson

PEEL HOLDINGS, Manchester-based property company, has purchased 12.1m shares in fellow property company London Shop, giving it a 21.19 per cent stake. London Shop shares closed 31p up yesterday at 297p, while Peel's slipped 6p to 329p.

Mr Peter Scott, managing director of Peel Holdings, said last night that Peel planned to hold the London Shop stake as an investment.

Peel had a number of shareholdings in other companies he said, citing its 13 per cent holding in Trafford Park Estates, 10 per cent in Leopold Joseph and 10 per cent in Mersey Docks and Harbour Company.

However, he said he could not comment on whether or not Peel planned to launch a bid for London Shop.

Mr Scott said Peel initially bought 850,000 London Shop shares a fortnight ago. It bought the 12m shares on Monday from the British Steel Pension Fund. Peel had not yet spoken to London Shop, but Mr John Whittaker, chairman, would be making contact shortly, said Mr Scott.

Mr John Bushell, chairman and chief executive officer of London Shop, said last night there was not much he could say until he heard from Peel. "It is up to them to let us know their intentions."

Oliver Res refuses to lift hostile bid price

By Clare Pearson

Oliver Resources, the Dublin-based exploration company, yesterday said it would not increase its £3.5m seven-for-two hostile offer for North West Exploration, which has been extended until November 18.

In its reply to North West's defence document published at the end of October, Oliver also defended its record against the Belfast-based target company's criticisms.

Oliver said it was one of the very few exploration companies in Ireland to succeed in making a profit out of oil and gas exploration, whereas Belfast-based North West had reported a profit since its inception.

Both companies are quoted under the Stock Exchange's Rule 535 (3) but North West plans to move to the USM if it can fight off the bid.

IN BRIEF

ALVA INVESTMENT Trust: Final dividend 1.3p to make 2.5p for year ended August 31, 1988 (3.9p for 18 months). Gross revenue £175,816 (£311,063) and earnings 1.03p (5.62p). Net asset value 246.26p (265.3p).

AMBROSE INVESTMENT Trust: Net revenue £468,222 (£470,377) for half year to September 30 after tax of £163,238 (£177,770). Earnings 5.58p (5.69p) per 25p share. Interim dividend 4.68p (4.38p).

LINCOLN HOUSE: As part of group reorganisation, JO Hambro Investments transferred its interest in 8.43m ordinary Lincoln (8.72 per cent) to BMB-H, its joint venture company.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Amber Ind. Hldgs., Amersham Intl., Fashion & General, Futura, Intl. Thomson, Oxford Instruments.

Finals- Bibby (J.), Hartwell, Smith Inds.

FUTURE DATES

Interims-	
Ferranti Intl.	Dec. 1
Marshalls Halifax	Nov. 14
Rolfe & Nolan	Nov. 30
Shires Inv.	Nov. 17
Vibroplant	Nov. 29
Vistec	Nov. 15
Finals-	
Australian Inv. Tst.	Nov. 17
Crosby Grp.	Dec. 6
Jersey Inv. Tst.	Nov. 16
Manchester Ship Canal	Nov. 18
Stanbury	Nov. 21
Tubular Exhibition Grp.	Nov. 14
Westpac Bnkg. Corp.	Nov. 17

UK COMPANY NEWS

Henderson Admin shares fall as profits collapse

By Vanessa Houlder

SHARES IN Henderson Administration, the fund management company, yesterday slid 40p to 630p when it reported a slump in profits from £15.2m to £4.3m for its first complete half year of trading since the world stock market crash.

The collapse in profits for the half year to September 30 reflect the dearth of unit trust activity, although the rash of unit redemptions experienced last winter had stopped in this period. In addition, the company suffered severely from the changes in dealing regulations to July, which, for example, banned "box" profits or dealing in a fund's own units.

Mr John Henderson, chairman, described the results as "very disappointing". However, he expected to see positive trends emerging in revenues and costs during 1989 as a result of cost cutting and increased management fees.

Operating costs were reduced by 20 per cent, as a result of cuts in staff numbers from a peak of 525 to 480 together with subletting part of its building. Expenses are expected to be reduced from last year's £40m to £30m, on an annualised basis, this year.

Management fees have been increased in three of Henderson's international funds from 1 per cent to 1.5 per cent. Mr Ben Wrey, deputy chairman, said that further rises could be made where justified.

Funds under management dropped from £9.6bn to £7.9bn but increased by 4 per cent from £7.6bn scored in March 1988. This growth was due both to an improvement in the market and an increase in the number of pension funds being managed which rose by 21 to 244.

Profit available for distribution following the transfer from the initial charges equalisation reserve (which irons out fluctuations in profits from unit trusts) was £3.9m (£7.4m). Earnings per share before transfer were 12.4p (45.8p). An unchanged interim dividend of 7p per share is declared and, subject to the outlook in May 1989, the directors intend to recommend a maintained final of 20p.

● **COMMENT**

These dismal results, although worse than expected, were merely illustrative of the bind in which most fund management groups find themselves. Even with a sharp cut in costs, they are are at the mercy of the state of the market which affects both their management fees and the enthusiasm of the public for their products. *Accordingly, their hopes are* firmly pinned to the prospect of an improvement in the market. And with fees linked to the value of funds under management, any improvement should filter through to the company's profits. A more particular worry for Henderson may be the future growth of their client base. After a strong run to recent years, this could *be jeopardised by a patchy* investment performance of late. For the full year, analysts think Henderson will do well to produce pre-tax profits of £9.5m. That puts the shares on a prospective p/e ratio (before transfer) of over 20. That looks a touch high, even given the element of bid speculation surrounding the shares.

FII Fyffes starts an appeal in Irish court

By Kieran Cook in Dublin

FII FYFFES, the Dublin-based food company, yesterday began an appeal in the Irish Supreme Court against a ruling ordering it to sell its 20 per cent stake in Irish Distillers, the whiskey and drink manufacturer, to the French Pernod Ricard group.

Last month the High Court in Dublin ruled that FII Fyffes had reached a legally binding agreement with Pernod to sell the IDG shares at a price of I£4.50 per share. FII had argued it had reached only a preliminary agreement with *Pernod which had been subject* to several conditions.

The High Court judgment meant that FII Fyffes could not take advantage of a £5.25 bid per share made by Grand Metropolitan, the British food and drink group. Judgment on FII's appeal is expected on Thursday or Friday this week.

The £300m takeover battle for Irish Distillers has now been going on for more than six months. Pernod says that with the FII stake they control more than 50 per cent of IDG shares. On Friday the full Takeover Panel is due to meet in London to discuss complaints made by Grand Metropolitan which allege that Pernod broke the Takeover Code in securing a number of irrevocable share acceptances. *Proceedings could last up* to three days. Later this week, the Stock Exchange takeover panel in London will consider complaints over the manner of Pernod's attempt to get control.

Last month, the European Commission in Brussels declared in a preliminary judgment that Pernod's bid had not broken any takeover rules.

The Dublin Government's Trade and Industry Department has yet to rule on the affair.

Widening the net for a bigger catch

Kenneth Gooding looks at implications of the boardroom shake-up at Charter Cons

CHARTER CONSOLIDATED, the UK industrial concern, is a prime example of how Mr Harry Oppenheimer's Anglo American-De Beers South African mining empire can sometimes control a company without paying for majority control.

Anglo owns only 36 per cent *of Charter via its Luxembourg* investment company, Minorco. But the boardroom upheaval at Charter announced late on Monday could only have been achieved after careful discussion at the Johannesburg headquarters of Anglo American.

Out goes Mr Jocelyn Hambro, a director of Charter since its formation in 1965 and non-executive chairman since 1982. Out as Charter's chief executive goes Mr Neil Clarke, the Anglo director who was appointed to the position in 1980.

Out goes a clutch of other Anglo executives (the South African group's men accounted for half the 12-strong Charter board) including Mr Gavin Relly, chairman of Anglo, and two of Mr Harry Oppenheimer's close relatives, Mr Nicholas Oppenheimer, his only son and a deputy chairman of Anglo; and Mr Ernest Oppenheimer, his nephew and a director of De Beers.

In comes Sir Michael Edwardes who was recently appointed chief executive of Minorco. He becomes chairman of Charter. In comes Mr Tony Lea, Minorco's finance director *and one of the three "Young* Turks" from the Anglo camp who emerged recently saying they were determined to change Minorco's style from being a passive investor to a "hands on" manager of its important assets.

In comes Sir Michael Edwardes, the new chairman

It was this change of style which precipitated the £2.9bn hostile bid for Consolidated Gold Fields in which Minorco has a 29 per cent shareholding. That bid temporarily lapsed when it was referred to the UK Monopolies and Mergers Commission.

Analysts yesterday were speculating that the unexpected board changes at Charter had as much to do with the Anglo and Minorco ambitions for Gold Fields as with a desire to get a better performance from Charter.

They suggested that if Charter bid for Gold Fields it would solve some of the problems which bedevilled the Minorco *offer. The bid could be made in* London-quoted shares instead of by a Luxembourg company. And the "South African connection", which played such a large part in Gold Fields defence arguments, would be pushed one step further into the background.

The only area of disagreement among the analysts seems to be about whether the bid would be achieved *simply* by Minorco selling its Gold Fields stake to Charter or whether Charter would make an agreed bid for the whole of Minorco, currently worth about £2bn.

However, Minorco dismissed these suggestions. The changes at Charter were part of Minorco's new policy of directly influencing important parts of its investment empire, it insisted.

Neither is there any backing away from the attack on Gold Fields. Minorco still seems *determined to gain control of* the UK mining and industrial group. Minorco is actively negotiating with the Monopolies Commission and attempting to prove it should be cleared to bid again for Gold Fields.

As for Charter, "other actions in other places will follow," the boardroom changes, Minorco said – a clear indication that *there will be* a chain reaction among Charter's main investments. These include 38 per cent of Johnson Matthey, the precious metals company, 60 per cent of Beralt Tin and Wolfram and 74 per cent of Cape Industries, the building materials group.

Analysts' estimates of the value of the Charter assets range from £7 to £10 a share, *including £150m of cash*, compared with a market price of 481p up 24p last night. "It has been about the doziest share in the UK market," said Mr Nick Hatch of Kleinwort Benson Research's international mining team.

He suggested that "we are seeing a shift away from Anglo American's overt influence on Charter. But Charter shareholders have *nothing to lose* from Minorco's game plan, which is to shake the value out of its assets."

This view was reflected in the London share prices yesterday when, accompanying the rise in Charter's price, Cape Industries advanced by 17p to 176p and Johnson Matthey added 12½p to 392p.

SUBSIDIARIES AND RELATED COMPANIES

Company	Country of incorporation or registration	Group interest in equity capital (%)	Nature of business
Anderson Strathclyde	Scotland	100	Mining equipment
Beralt Tin and Wolfram (Portugal) S.A.R.L.*	Portugal	60.4	Wolfram mining
Cape Industries – Cape Building Products	England	74.1	Industrial contracting & external cladding
Johnson Matthey Public Limited Company	England	37.8	Refining, fabrication & marketing of precious metals
MKR Holdings	England	100	Licensed trade equipment
National Mine Service Company	United States	51.2	Mining equipment
Pandrol International	England	100	Rail track equipment
Shand Limited & subs	England	100	Contracting
Shand Mining Inc	United States	100	Coal mining

* A subsidiary of Beralt Tin and Wolfram

Out goes Mr Neil Clarke, chief executive

Pittard Garnar resumes attack on hostile bidder

PITTARD GARNAR yesterday resumed the attack on the accounts of rival leather group Strong & Fisher in the wake of the latter's £40.8m hostile offer.

The Pittard case rests on the proportion of S & F's profits that arise from non-recurring items, especially those relating to acquisitions. "Our concern", says Mr David Macdonald, Pittard's chairman, "is that provisions may have been used to mask the effect of difficult trading conditions in the first half of this year".

Pittard first made its comments about S & F's accounts last week. Sir Ian Morrow, S & F's chairman, replied in a letter to Mr Macdonald saying that its accounts had been audited by Peat Marwick McLintock and that acquisitions had been treated in accordance with SSAP14 and SSAP 22. Yesterday, S & F said it had nothing further to add to Sir Ian's letter.

McInerney shows 42% advance

McInerney Properties, Dublin-based building, contracting, manufacturing and property group, reported pre-tax profits up 42 per cent from I£1.3m to I£1.8m (£1.55m) for the six months to end-June 1988.

Turnover rose to £38.1m (£30.4m). After notional tax of £680,000 (£305,000) and minorities of £63,000 (£478,000 credit) earnings per 10p share worked through at 18.3p (6.8p). An improved interim dividend of 1.5p (1p) has been declared.

Mr Daniel McInerney, chairman, *expected maintained* growth in 1988.

Malaya Group to join Third Market

By Fiona Thompson

Malaya Group, Sussex motor dealer, is to join the Third Market later this month. Established in 1916, the company holds franchises to sell Mercedes, Porsche and Alfa Romeo cars.

The placing price is expected to be about 50p. A total of 3.2m shares will be placed, giving Malaya a market capitalisation of £2.16m. Pre-tax profits in 1987 were £306,000, down from the previous year's £374,000, on sales of £9m, affected, the company says, by the fall in the sale of new Porsche cars.

The directors anticipate pre-tax profits this year of *£290,000, increasing to* £351,000 in 1989.

UK COMPANY NEWS

BET continues to expand in Europe with £33m French buy

By Fiona Thompson

BET, international diversified services group, is to acquire Savam, a leading French distribution company, for £33.2m.

The acquisition is BET's 13th in continental Europe in the past 18 months. "We see the potential there as vast," said Mr Neil Ryder, head of corporate communications. "The markets are very fragmented and European owners are now more receptive to cross border mergers."

The purchase is being made through an associate company of BET's in Holland. This company has been granted options to acquire 84.7 per cent of the capital of Savam currently held by family interests and institutional investors.

The deal is subject to French regulatory approval and is expected to be completed in January 1989.

Savam is valued at FFr 355m (£33.2m) based on the current market value of its shares. BET said it would finance the deal either by cash or by a placing of shares outside the UK.

BET this year completed a prolonged restructuring, selling its magazine and newspaper publishing interests. It now concentrates on supplying services to industry throughout the UK and Ireland, in the US and in continental Europe through eight core activities. These are: textile rental and washroom services, distribution, cleaning, waste, specialist contracting, scaffolding and plant hire, security and communication, and property improvement.

Savam will become part of United Transport International, BET's transport and distribution subsidiary. UTI is one of the largest unit load, tanker and contract distribution companies in Europe and in the year to end March 1988 reported trading profits of £28.1m on sales of £298m.

Savam, founded 30 years ago by the owner Mr Henri Grossetete, is the market leader in bulk transport and road/rail operations in France. Its sales in 1987 were FFr 735m (£69m), producing an after-tax profit of £2.25m.

Forming the right partnership in France was a top priority, said Mr Paul Rudder, UTI chairman. UTI was probably the largest lift on/lift off operator between the UK and continental Europe, through the Netherlands, but France was "the vital link between the UK, Belgium, Germany and the Iberian Peninsula", in all of which UTI has growing networks. The opening of the Channel Tunnel would further increase the importance of the link.

With the coming of the single European market, "there will only be room for a limited number of core players in Europe," said Mr John Osborne, for UTI. "That's why we want to get in first."

● BET yesterday also agreed the first stage of withdrawing from Zimbabwe domestic bus services, as part of its intention, declared in June, to withdraw from passenger transport operations.

Enlarged Cairn gets ready for quotation

By Andrew Hill

Cairn Energy, an independent oil and gas company, yesterday announced a series of developments which could more than double its market capitalisation, preparing the way for a full listing of its shares by the end of the year.

At the moment shares in Cairn are traded under Rule 535.3 of the Stock Exchange, which means buyers and sellers have to be matched before a deal can be made.

Cairn, which owns onshore oil interests in Surrey and Sussex, is making a recommended all-share offer for CP (Oil & Gas), a private owner of US oil and gas assets, at 240p a share, a discount to the company's net asset value of 280p. Cairn is offering nine shares for every two CPOG shares, and 13 for every 12 CPOG warrants, valuing the company at about £7.61m.

In addition, Mr Kerry Stokes, an Australian businessman, has agreed to pay £4m for 1.67m new Cairn shares, and a further 2.11m shares ara being offered to Cairn shareholders, on the basis of one for three held, to raise a maximum of £5.06m. Both are at 240p.

Mr Stokes, chairman and owner of Australian Capital Equity, a private investment company, will hold about 14.9 per cent of Cairn's enlarged equity, or 12.5 per cent if all 2.1m shares in the open offer are taken up. Ha will also join the board.

If the open offer is taken up, the enlarged group will have a market capitalisation of about £28.6m, against £13.7m at the moment, based on yesterday's closing price of 217p, up 11p.

Parrish share price slumps 60p after £2m loss at interim stage

By Clare Pearson

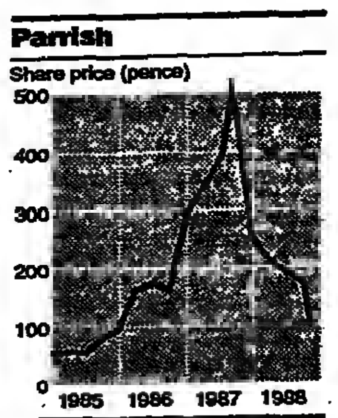
SHARES IN Parrish, independently-quoted stockbroking group, collapsed yesterday aftar the company announced a loss of £2.14m in the six months to end-July. They fell by 60p to close at 105p.

Even stripping out an unexpected £400,000 provision against bad or doubtful debts arising from the market crash last year, these results were far worse than one analyst's forecast of a loss of around £750,000.

But Mr Peter Bainbridge, chief executive, said his faith in the future remained firm.

There is no interim dividend, against 1p. The loss compared with a profit of £993,000 last time, which was turned into a deficit of £1.66m by the end of that year and tha final was passed.

The company, which operates through four regional offices and one in London, remained keen to expand its existing private client broking activities, as well as looking to develop into other areas such as money broking, he said.



Though continuing low levels of stock market activity provided a very unhelpful background, he said Parrish was now paying much more attention to control of overheads - which had just been significantly increased by acquisitions when tha crash happened.

However, he said there was no question of resorting to large-scale dismissals. Though Parrish's originally 245-strong staff was reduced by about 18 per cent during the six month period, only about twelve of these were redundancies.

Meanwhile, the company retains headquarters in the City, which include about 3,000 square feet of as yat unlet spare space.

The £400,000 extra provision, described by Mr Bainbridge as "probably a wrap-up measure", came on top of the £1.1m Parrish set-aside at the full year stage. In April, it raised £4.9m through a two-for-five rights issue, at 220p, partly to cover these losses. About a third of its shares are owned by its own clients.

Mr Bainbridge said he foresaw Parrish returning to profitability by the end of the next financial year on the following assumptions, which he termed conservative: that stock market turnover increased by five per cent per quarter over the next 15 months, and the company retained its market share and transaction size during that period.

Turnover during the interim period stood at £3.98m (£5.97m). After a nil tax charge, the loss per share came out at 26.59p (earnings 9.86p).

National Telecomms at £1.36m

Profits of National Telecommunications, a telephone systems group which joined the main market in July, expanded from £1.21m to £1.36m pre-tax for the half year ended September 30 on the back of a 62 per cent rise in turnover to £13.13m.

Directors said the substantial increase in turnover reflected the group's continuing penetration of both the UK and world markets.

Export sales had been encouraging and currently were ahead of those for the previous full year. A strong order book existed for the second six months.

Basic earnings rose to 4.49p (4.07p). An interim dividend of 0.75p is being paid.

Stirling declines to £1.56m

Stirling Group, Manchester-based garment maker, announced reduced pre-tax profits of £1.56m against £1.81m for the half year ended September 30.

Turnover was down from £19.3m to £19.18m.

The directors said that sales this year were to the company's principal customer, Marks and Spencer, only, whereas last time they included sales to others.

The interim dividend is held at 0.5p although earnings fell to 2.71p (3.21p) per 20p share. Tax took £547,000 (£633,000).

Stirling continued to invest for long-term benefits, the directors said, and two further factories were acquired, fully equipped and with a labour force, during the period.

Start-up costs had eroded profits more during the first half than would be the case for the full year, they added.

The balance sheet was strong and the company had a full order book. It was continuing to use surplus cash resources for development.

GEI improves by 23% to £2.5m

First half, to September 30 1988, pre-tax profits of GEI International rose by 23 per cent, from £2.05m to £2.52m. The interim dividend is being increased from 1.94p to 2.14p.

Mr Thomas Kenny, the chairman, said packaging machinery showed better profits, as did special steels despite a short strike at one of its premises. Engineering products did not do well but they were small numbers in relation to the group.

Group orders were at a record, Mr Kenny said.

Turnover in the half year came to £36.23m (£39m), Steel Stampings having been sold in mid-July at a profit. Earnings were 4.22p (3.34p).

Aquascutum ahead

Profits of Aquascutum Group, clothing manufacturer and retailer, rose from £726,000 to £809,000 pre-tax for the six months to July 31 1988 on a turnover £3.92m ahead at £23.6m.

A same-again interim dividend of 1p is being paid from earnings per 5p share of 1.74p (1.62p).

Health Care suffers 25% profit decline in first half

A DOWNTURN in its medical personnel division and rising interest rates hit the pre-tax profit of Health Care Services in the half year ended September 30 1988.

On turnover up 13 per cent to £7.28m, the operating profit improved 6 per cent to £602,000. But interest charges of £231,000 (£69,000) left the pre-tax balance at £371,000, a 25 per cent cut on the previous £498,000.

The downturn in Medic was a result of a reduction in demand for temporary medical personnel in the NHS. Mr Graeme Hart, the chairman, said he did not realistically expect a favourable change in the adverse factors over the rest of the year and, to maintain competitiveness, staff reductions had been made, and it was also intended to sub-let part of the head office.

He was pleased with the expansion of the hospitals and homes division which had the additional benefit of giving the company a solid base. Additionally, health care management showed considerabla promise.

The directors remained confident over the long term, and were holding the interim dividend at 0.8p. Earnings fell to 1.7p (2.5p).

Sherwood buys

Sherwood Group has, through its lingerie manufacturing subsidiary Debfor, contracted to purchase the trading assets of Richard Cooper and Company (Ashbourne). Debfor is also expanding its lingerie manufacturing capacity in Cumbernauld through the purchase for £550,000 of the factory previously rented from the Scottish Development Agency.

Ferranti expands

Ferranti International Signal has acquired Elmeca, a Turin-based fuel pump manufacturer, for £960,000.

Elmeca, with a turnover of £4m, has a third of the Italian market, including sales to all the oil majors.

London American Ventures falls

In their interim report the managers of London American Ventures Trust state that the company is virtually fully invested, and that they are hopeful of continued progress during the second half.

At September 30 1988 the net asset value had fallen to 71.3p, from the 82.6p of a year previous.

Income in the six months dropped from £1.3m to £404,000 and there was a turnround from a pre-tax profit of £495,000 to a loss of £263,000.

Loss per share was 0.2p (earnings 0.48p) after minority interest in result of the venture capital investment partnership £102,000 (£100,000).

Charterhall/Hornby

Charterhall, an investment group, has increased its stake in Hornby Group, USM-quoted toy manufacturer, to 17.2 per cent.

JOBS

Downs and ups of judging managers' work

By Michael Dixon

You'd make the biggest fortune ever known
If you could buy him at your valuation —
And sell him at his own.

WHILE nobody knows whom William Plomer had in mind when he wrote those lines, you readers will surely feel able to offer some personal nominations. What is more, the Jobs column suspects that your nominees would often include the person who directly manages you.

If so, you are unlikely to make a fortune on that account. For in the bulk of organisations, neither the managed's rating of their managers nor the managers' rating of themselves has much worth on the market. The only valuation of the manager which counts is the one made by the manager's manager.

Nevertheless, since there are three distinct valuers involved, there remains the question of whose rating of the manager is most likely to be the right one. And as it happens, clues to the answer have been supplied by the *United States consultancy,* Psychological Associates.

During the past couple of years it has been studying assessments of over 1,100 managers in 70 US concerns, several of them being multinational companies. But in the process it has collected far more than 1,100 pieces of paper. The reason is that in each case the managers not only made a self-valuation, but were also assessed by every individual immediately subordinate to them as well as by their own manager (from now on to be called the "boss" or "bosses").

The object of the bumf-harvesting was to devise a system of giving executives productive feedback on their performance as managers. Anyone wishing to know more about the system, which measures numerous different managerial skills, should contact either the consultancy at 8301 Maryland Avenue, St Louis, Missouri 63105 — telephone (314) 862 9300, or its British associate People Skills International, 81 Southwark Street, London SE1 0HX — 01-928 1781.

Here it must suffice to say that, to be productive, the feedback had to be of a sort *more likely to result* in the managers improving their performance, than in their feeling menaced from above or taking revenge below. Hence the exercise was limited to executives with a good many subordinates whose assessments were sent straight to the consultancy and averaged so that their individual authors could not be identified. The scrambled judgments garnished with the rating made by the boss were then fed back solely to the manager being rated, together with his or her own self-valuation. Nobody else in the employing company saw them unless that manager chose otherwise.

Would readers care to guess which two of the three separate assessments most closely tallied?

They were the immediate subordinates' ratings and the managers' self-valuations. "Four times in every five, the managers and the staff under them were much more in agreement with one another than the manager's boss was with either," said Bill Beane, a senior vice president of the US consultancy. "The broad rule seems to be that it's easier to fool the guy you work for than the people who work for you."

Who's right?

Hold on, I protested. OK, managers and subordinates largely agree and the bosses differ. But that doesn't mean the bosses' views are wrong.

Dr Beane, a psychologist, smiled smugly. It did in this instance, he replied. "The thing we're concerned with is the way the managers in the middle of the three ranks making valuations actually operate in getting work done. The managers were asked how they managed their direct staff, and the staff how the manager managed them. But the bosses were asked how the manager under them handled the people another notch down."

Besides, he added, anyone who knows the intentions behind an action inevitably tends to be swayed by that knowledge in judging the action's effects. The people least likely to be coloured in their judgments were those in the lowest rank. As well as knowing less than those above about the intentions of managerial acts, they had fewer theoretical notions as to what constitutes good management and what does not. They just judged by the results they felt and, since their ratings were averaged, extreme prejudices held by one or another would surely tend to cancel out.

But the managers were also better placed to jndge than their bosses if only because they were nearer to what was taking place. The bosses were assessing something they often did not even see, let alone feel.

"That could well explain the variances in views," the psychologist went on. "The bosses know the measurable results thet e manager under them turns in, but they rarely have much knowledge either of how the manager gets those results or of the unmeasurable achievements that are made.

"What the bosses typically do is take mental snapshots of how a manager is acting when they happen to see it, and assume that's how things are done in all cases. For example, it seems that if the manager communicates well with the boss, then the boss tends to believe the manager communicates well with the staff even though both manager and staff think the reverse. Yet on questions like whether the manager gets promotion, it's the boss's opinion that decides."

In which case, it would hardly be cynical to suppose that managers whose bosses mistakenly think they are good at communicating with those below will take care to keep the contrary evidence under wraps.

But what ebout when it is the boss wbo believes the performance is bad and the other two parties think it good, I asked Bill Beane. Should the manager take the bundle of assessments along to the boss and point out the discrepancy of views? (I was thinking at the time of my own numerous bosses during 37 years of working for a near living. I suspect that if I'd gone along and done that to them, some would not just have stuck to their original opinion but decided I wss embroiled with the lower orders in a Bolshevik plot.)

Cans of worms

Dr Beane massaged his beard. "Well, in cases like that," he said, "we at first used to advise managers to show their boss the results. Then we started to have other thoughts. What we do now is stress that however wrong the views held above are, they're important and some way of changing them hes to be found. But we advise managers against revealing the assessments to their boss. It could open up some real cans of worms."

"Sey several meneger reporting to the same person are assessed and one shows his form to the boss. The rest feel *that unless* they follow suit, they risk being down-rated by default. So whet should they do, especially if they've a skeleton or two in their cupboard?"

Learn to be as politically edroit as their toadying colleague, I said.

هكذا من الأصل

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26-35 | City | £Negotiable

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P N B
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If you would like to be considered, please telephone or write in strictest confidence to **Christine Hough or Susan Muncey at John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London, SW1H 9BP. Tel: 01-222 7733.**

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Our client, an established British bank, wish to build up the profitability of its Trade Finance division by recruiting an experienced A Forfait Marketing Manager. Candidates should be in the age range of 25 to 35 with between 3 to 5 years' experience in the A Forfait Market.

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The investment banking arm of one of our European banks is looking for someone with fund management experience to assist in the running of a European and Japanese equity fund. Applicants should have experience in these markets and have worked for a recognised institution looking after dollar-based portfolio clients' funds. He/she will be assisting the Manager but should be able to exhibit the ambition and autonomy to work on their own. Age 28 to 35.

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Please contact either Christine Clayton or Brenda Shepherd

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Telephone 01-626 1161

Banking Executive

London

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Applicants should apply in confidence giving full personal and career details to:

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INTERNATIONAL APPOINTMENTS

CERN

European Organization for Nuclear Research
Organisation Européenne pour la Recherche Nucléaire

European Laboratory for Particle Physics
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CERN, GENEVA, is seeking to appoint a

PENSION FUND MANAGER (Senior Administrator)

responsible for planning, organising, managing and monitoring the various activities of the CERN Pension Fund; this person will report to the Pensions Board. The Fund has current assets of some 1.5 billion Swiss francs and a rapidly increasing number of beneficiaries (now about 800). The Fund covers a wide range of financial, accounting, administrative and social security activities, and includes the management of financial and property investments; the study of the Rules and Regulations of the Fund; and the preparation of the Annual Report.

Candidates for this senior appointment should hold an appropriate university degree and preferably a professional qualification at an advanced level in finance and administration, or insurance. Experience should include 3 to 5 years in a position of senior responsibility and cover a period of 10 years in financial management and audit supervision in a capitalised pension scheme, a bank, a large firm or in the public sector.

Candidates should have demonstrated ability to apply financial, actuarial and accounting skills to the modern management of a pension scheme; their ability to communicate and negotiate at all levels, preferably in a multi-national environment, should be outstanding. A good knowledge of English and French is necessary.

The selected candidate will be offered an initial 3-year contract, renewable, with attractive compensation and benefits, the details of which will be indicated on enquiry.

Please write to W. Middelkoop, Chairman of the Pensions Board, CERN, 1211 Geneva 23, Switzerland, enclosing a curriculum vitae and quoting the reference CIS/1. Applications should reach the Organization no later than 3 weeks from the date of publication.

Note: Applications are accepted from nationals of the Member States of CERN (Austria, Belgium, Denmark, Federal Republic of Germany, France, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom).

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A competitive salary/benefits package, commensurate with this position and the experience required, will be offered.

Please send a full CV to Amanda Evans, Personnel Officer. Applications will be treated in strictest confidence.

BMH

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INTERNATIONAL APPOINTMENTS

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Résumés please including a daytime telephone number, in the strictest confidence to Torrance Smith, quoting Ref: TS 995, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ. Telephone: 01-606 1975.

Executive Resourcing
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INTERNATIONAL APPOINTMENTS

البنك السعودي التجاري المتحد
United Saudi Commercial Bank

المتحد
United

TREASURER AND HEAD OF FINANCIAL INSTITUTIONS
RIYADH

United Saudi Commercial Bank (USCB) ie the youngest bank In Saudi Arabie (Founded 1983) with a network of 13 branches throughout the Kingdom.

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Please contact Shelagh Arnell on 01-583 1661 or send CV to her in confidence: ASB INTERNATIONAL RECRUITMENT, 50 Fleet Street, London EC4Y 1BE (part of ANGEL INTERNATIONAL RECRUITMENT)

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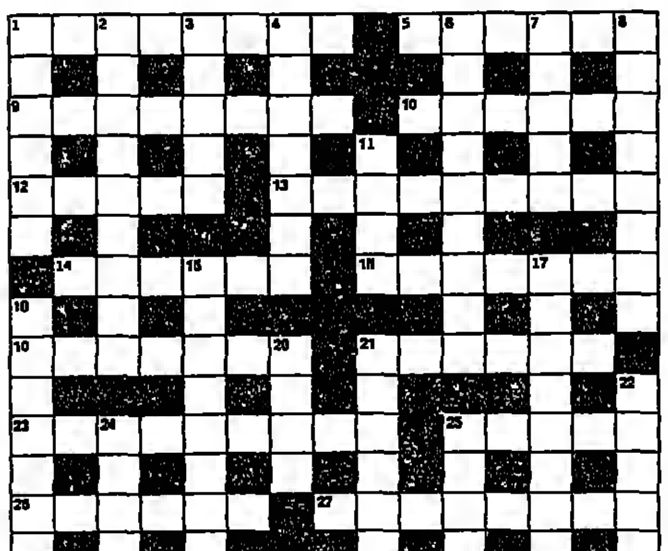
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,781 Set by DINMUTZ



ACROSS

1 Deposits of those in building society (4-4)
5 Eastern county returns third-party deed (6)
9 Small cars attempt lots of revs (8)
10 Rodney over there? (6)
12 Nothing in Rimini hilarious? (5)
13 Prepare French department for balance (9)
14 *Everybody in stale air* (6)
16 Theatre-worker with his back to the wall? (7)
19 Fast cat? One will do, people say (7)
21 Packing petition into bag (6)
23 Colours of pianos lit unusually (3-6)
25 Nucleus of people worry about degree (5)
26 Transfer a lot, say (6)
27 Feature of table in autumn? (4-4)
28 Persuade first engaged couple to take it back to church (6)
29 The second swimmer has a bad hand (8)

DOWN

1 Setting one's sights on first-class pottery (6)
2 Canvas shelter on shifting earth is very inferior (5-4)
3 Work-supporter's lease torn up (5)
4 *Druid's sitting Doctor of Divinity on furze* (7)
6 Way to subdue latest news? (4-5)
7 More than one spoke of Circle Lines (5)
8 Battle over card in Septimus Harding's office (8)
11 Pleasure to have old penny in the kitty (4)
15 Sleepy? Start to loll and put the cigar out! (9)
17 Veronica to help splendidly (9)
18 *Honour for Bill by firm* — deal arranged (8)
20 Writing aid? (4)
21 Georgia's endless deception of Little Mary? (7)
22 Highly explosive fire breaking out a little lower (6)
24 Composer's catalogue we hear (5)
25 Constable, commonly, painter and oil-producer (5)

Solution to Puzzle No.6,780

T	Y	P	E	F	A	C	E	S		A	B	I	R	D
H		E		R		A		E		E		N		R
I	N	T	H	E		R	E	A	R	R	A	N	G	E
R		U		E		W		S		O		E		A
D	E	L	E	C	T	A	B	L	E		G	R	A	M
		A		R		S		U		W				L
K	E	N	N	E	T	H		G	R	A	H	A	M	E
I		C		D						L		B		S
T	H	E	W	I	N	D		W	I	L	L	O	W	S
C				T		I		O		S		U		
H	A	N	D		I	S	W	O	R	T	H	T	W	O
E		O		B		M		D		R		T		A
N	E	P	T	U	R	I	U	M		E	Q	U	U	S
E		A		S		S		A		E		R		I
R	A	L	P	H		S	O	N	A	T	I	N	A	S

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE						
TSB American	6	95.74	95.60	102.72	[illegible]	[illegible]
Do Accum	6	102.76	103.68	[illegible]	[illegible]	[illegible]
TSB Brit Growth	6	54.39	54.39	[illegible]	[illegible]	[illegible]
Do Accum	6	56.91	56.91	60.5[illegible]	[illegible]	[illegible]
TSB European	6	52.46	52.46	55.8[illegible]	[illegible]	[illegible]
Do Accum	6	53.88	53.88	57.[illegible]	[illegible]	[illegible]
TSB Extra Income	6	146.67	149.85	159.[illegible]	[illegible]	[illegible]
Do Accum	6	189.32	193.40	205.74	+0.44	[illegible]
TSB Smaller Cos	6	54.11	54.11	57.5[illegible]	-0.07	[illegible]
Do Accum	6	55.07	55.07	[illegible]	-0.06	[illegible]
TSB General	6	177.99	177.99	[illegible]	+1.25	[illegible]
Do Accum	6	308.10	308.10	327.77	+1.82	[illegible]
TSB Gilt & Fxd Int	5	47.67	47.67	49.66	+0.09	[illegible]
Do Accum	5	73.13	73.13	76.[illegible]	-0.07	[illegible]
TSB Income	6	268.53	268.53	285.[illegible]	+1.11	[illegible]
Do Accum	6	448.85	448.85	477.[illegible]	+1.85	[illegible]
TSB Pacific	6	204.25	207.40	[illegible]	-1.70	[illegible]
Do Accum	6	212.40	215.64	[illegible]	-0.73	[illegible]
TSB International	6	315.15	315.15	[illegible]	[illegible]	[illegible]
Do Accum	6	398.25	398.25	423.[illegible]	[illegible]	[illegible]
TSB Nat Resources	6	60.60	61.89	65.8[illegible]	[illegible]	[illegible]
Do Accum	6	64.18	65.55	69.73	[illegible]	[illegible]
TSB Sictd Opps	6	79.88	79.88	84.98	[illegible]	[illegible]
Do Accum	6	91.21	91.21	97.[illegible]	[illegible]	[illegible]
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-379 0660						
American Eagle	5	62.42	62.42	66.64	+0.08	0.13
Australia	5	7.457	7.457	7.971	[illegible]	0.10
Commodity	5	76.00	76.00	82.17	+0.9	0.60
Convertible	5	142.8	142.8	154.0	+1.6	4.97
Equity	5	154.8	154.8	166.7	+0.7	3.13
Euro Spec Sits	5	83.15	83.15	89.46	-0.02	1.42
Financial	5	30.47	30.47	33.04	+0.09	2.06
Global Opps Inc	5	55.21	55.21	59.46	+0.04	0.63
Global Opps Acc	5	55.21	55.21	59.46	+0.04	0.63
Gold Income	5	46.09	46.09	49.48	+0.17	0.00
Gold Acc	5	84.90	84.90	91.14	+0.32	0.00
Income	5	104.9	104.9	113.4	+1.2	4.47
Japan	5	121.8	121.8	131.2	-0.3	0.00
Pacific Inc	5	111.4	111.4	120.2	+0.1	0.06
Pacific Acc	5	138.2	138.2	149.1	+0.1	0.06
Preference Share	5	24.66	24.76	26.79	[illegible]	[illegible]
Special Sits	5	93.14	93.14	101.0	-0.7	[illegible]
Technology	5	34.65	34.65	37.20	+0.2	[illegible]
UK Capital	5	89.16	89.16	95.8[illegible]	[illegible]	[illegible]
World Income	5	51.21	51.21	54.9[illegible]	[illegible]	[illegible]
Worldwide Capital	5	149.6	149.6	161.[illegible]	+0.5	[illegible]
Equity Exempt	5	118.1	118.1	127.[illegible]	[illegible]	[illegible]
Equity Exempt Acc	5	224.2	224.2	242.[illegible]	[illegible]	[illegible]
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	93.91	93.91	100.15	+0.30	1.50

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Nov 9	38.0	39.5	-1.2	2.39
Euro Expt Nov 9	42.2	44.3	-0.5	2.32
Fixed Int Ex Nov 9	49.7	52.1	-0.2	9.7
Japan Expt Nov 9	53.7	55.8	-0.6	0.49
Managed Ex Nov 3	39.2	40.7	-0.0	4.44
SE Asia Expt Nov 9	35.0	36.7	+0.4	1.97
Sm Cos Expt Nov 9	43.7	45.8	-0.2	2.02
UK Eqty Ex Nov 9	35.7	37.4	-0.3	4.29
New Court Property Fund Managers				
NC Property	191.5	209.3	—	—
Phillips & Drew Fund Management Ltd				
PDFM Small Co Fd 11/11	835.0	861.0	—	3.85
Do Accum	842.0	889.0	—	3.85
PDFM Int Expt Oct 27	124.8	126.9	—	2.72
J. Rothschild Fund Managers Ltd				
Intl Exempt	90.66	94.73	—	2.92

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt M & G Inv Mngt Ltd				
AA Friendly Sy Oct 14	—	142.9	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	259.9	273.1	+0.1	—
Equity Ser. 1	114.7	120.8	+0.6	—
Prop. Acc. Ser 2	387.5	407.9	+0.2	—
Equity Ser 2	130.2	137.1	+0.7	—
Selective Acc	298.7	314.5	+1.0	—
Prop. Ser. 4	307.8	324.1	+0.1	—
Equity Ser. 4	134.2	141.3	+0.5	—
Fixed Int. Ser. 4	218.8	230.5	+0.2	—
Indexed Inv. Ser. 4	131.8	138.9	+0.2	—
American Ser. 4	250.5	263.7	-2.0	—
High Inc. Ser. 4	390.1	410.6	+1.0	—
Japan Ser 4	265.1	279.1	-1.8	—
Man. Ser. 4	379.7	399.7	+0.3	—
Money Ser. 4	220.6	232.3	+0.4	—
European Ser 4	96.6	101.7	-0.3	—
Pension Funds				
Property	532.2	560.2	+0.5	—

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

Providence Capital Life Assc. Co Ltd

Royal Heritage Life Assurance Ltd—Contd.

Shield Assurance Ltd

Sun Life of Canada (UK) Ltd

Hinton Hill (L & P) Ltd

Citibank—Contd.

Prudential Intl Financial Services Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provincial Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Windsor Life Assur Co Ltd

Wesleyan & General Assurance Soc

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	99	Treas 12½pc 1989	99	+	11	11 61
101	98	Treas 9½pc Cnv 1989	99	+	9	11 49
97	95	Treas 3pc 1989	97		3	8 77
102	99	Treas 10½pc 1989	99	+	10	11 65
103	98	Exch 10pc 1989	98	+	10 11	11 56
103	99	Exch 11pc 1989	99	+	11.03	11.35
97	94	Treas 5pc 1986–89	96		5	9 41
104	98	Exch 10½pc Cv '89	99	+	10	10.99
107	102	Treas 13pc 1990‡‡	102		12	10 86
104	100	Exch 11pc 1990‡‡	100	+	10	10 82
107	101	Exch 12½pc 1990	101	+	12 28	10 90
93	90	Treas 3pc 1990	91		3	8 89
99	95	Treas 8¼pc 1987–90‡‡	96	+	8	10.52
102	95	Treas 8pc Cv 1990 ‡‡	90		8.12	8.94
103	98	Treas 10pc Cv 1990	98	+	10.12	10 67
91	87	Exch 2½pc 1990	89		2 81	8.54
107	101	Treas 11¾pc 1991	102	+	11 51	10 62
95	90	Funding 5¾pc '87–91‡‡	95		6 27	9 68
90	86	Treas. 3pc 1991	87	+	3.42	8 54
105	98	Treas 10pc Cv '91 ‡‡	100	+	9 97	9 85
107	100	Exch. 11pc 1991	101	+	10 85	10 43
98	92	Treas 8pc 1991	93	+	8.54	10.45
113	105	Treas 12¾pc 1992‡‡	106	+	11 98	10.31
104	98	Treas 10pc 1992	99		10 09	10.30
96	92	Treas. 8pc 1992 ‡‡	93		8.56	10 31
106	99½	Treas 10½pc Cv 1992‡‡	100	+	10.44	10 30
86	82	Treas. 3pc 1992	83	+	3.58	8.29
112	104	Exch. 12¼pc '92	105		11 56	10.29
117	106	Exch 13½pc 1992	110	+	12 27	10 28
97	91	Treas 8¼pc 1993	93	+	8.85	10.21
105	97	Treas 10pc 1993‡‡	99	+	10.03	10.09
115	107	Treas 12½pc 1993‡‡	108	+	11 51	10.12
93	87	Funding 6pc 1993‡‡	88	–	6 83	9.12
		Five to Fifteen Years				
121	112	Treas 13¼pc 1993‡‡	113	–	12	10.13
101	91	Treas. 8½pc 1994	93	+	9	10.13
94	91	Treas 8½pc 1994 A	93	+	9	10 13
125	115	Treas 14½pc 1994‡‡	118	+	12	10.06
120	111	Exch 13½pc 1994	113	+	11	10 20
105	98	Treas. 10pc Ln 1994‡‡	100	+	10	10.00
116	107	Exch 12½pc 1994	109	+	11	10.17
101	93	Treas 9pc 1994‡‡	96		9	9.92
114	105	Treas 12pc 1995	106	+	11	10.12
83	78	Exch 3pc Gas 90–95	81		3	6 66
106	98	Exch 10¼pc 1995	101	–	10	10 00

		Over Fifteen Years				

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. RPI for February 1988:103.7 and for September 1988:108.4

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	45		3 50	17 78
45	33	Do. 6pc 28 Stb Ass	45		3	15 67
45	33	Do 4pc Mixed Ass	45		3	14.44
77	63	Hung 24 Ass	65		1.75	13 57
140	128	Hydro Quebec 15pc 2011	137	+	15 00	10 57
131	118	Iceland 14½pc Ln 2016	126	+	14 50	11 29
101	94	Ireland 9¾pc '91–96	98	+	9 75	10.10

AMERICANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29½	22¼	Abbott Laboratories	26	–	$1 20	–	2 7
649p	360p	Allegheny & W 1c	408p		30c	–	3
14	862p	Amax $1	12	–	020c	–	0 9
15	8	Amdahl 5c	11	–	h10c	–	0 5
31	22	Amer Cyanamid $5	26	–	$1 20	–	
17	11	Amer Express 60c	15	–	76c	–	
10	668p	Amer Medical Int $1	949p	–18	72c	–	
17	13	American T. & T. $1	56		$1 20	–	
56	44	Ameritech $1	53	–	$5 40	–	
28	16	Amfac	27	–		–	
19	15	Anheuser-Busch $1	18	–	60c	–	2 0
10	360p	BankAmerica $1	10	–		–	
24	16	Bankers N.Y. $1	20	–	$1 86	–	5 2
43	34	Bell Atlantic $1	40	–	$4 09	–	5 9
25	19	BellSouth Corp	22	–	$2 36	–	
15	850p	Bethlehem Steel $8	11	–		–	
13	801p	Bio-Rad Labs Inc "A"	11	–1		–	
23	15	Bowater Inc	16	–	92c	–	3 4
16	11	Browning-Ferris 16 6c	14	–	48c	–	
13	787p	Brunswick 75c	10	–	44c	–	
35	21	CPC Intnl 25c	29	–	$1 44	–	
18	13	CSX $1	17	–	$1 24	–	4 3
743p	134p	California Engy	727p	–1		–	
16	11	CalFed Inc $1	12		$1 40	–	
20	12	Campbell Soup 15c	10	–	84c	–	
39	31	Caterpillar Inc $1	33	–1	75c	–	
18	11	Chase Manhattan $12½	16	–	$2 16	–	
19	11	Chem Banking Corpn	17	–	$2 72	–	8
15	11	Chrysler $6¼	14		$1.00	–	d 0
15	9	Citicorp $1	13	–	$1 48	–	
297p	168p	CityFed Fin Corp	226p		4c	–	1 0
28	20	Colgate-Palmolive $1	25	–	$1 48	–	
20	13	Cons Freightways 62½c	17	–	94c	–	
350p	134p	Contl Illinois Corp $1	309p	–16	8c	–	1 5
14p	7p	Cont Illinois Hldgs $1	7			–	
428p	117p	Corporate Data Scnr	387p			–	
510p	300p	Cullinet Silver 1c	516p	–1		–	
22	17	Dana Corp $1	19	–	$1 60	–	d 7
15	10	Data General	10	–		–	

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar edges firmer

A MOOD of understsndabla caution prevailed in currency markets yesterday, as investors awaited the outcome of the US Presidential election. Short covering boosted the dollar in early trading, with most institutions content to adopt square positions ahead of the results.

The move into dollars was mainly at the expense of the Japanese yen, and this belped tbe D-Mark to move above Y70.00. On Monday, the West German unit was fixed at a record low of Y69.81, close to its all-time low touched in August. But yesterday it opened at Y70.12, up from Monday's close of Y69.92, and broke through resistance at Y70.20 to tooch Y70.40 by mid-morning. However, it closed off the top at Y70.15.

Profit taking in long yen/ abort D-Mark positions added to tbe yen's overall decline, but traders still view tbe yen's medium term outlook against tbe D-Mark as bullisb, especially if the dollar starts to fall.

Most traders adopted square dollar positions, on the assumption that opinion polls were correct in forecasting a win for Vice President George Bush.

The dollar closed at DM1.7890, up from DM1.7840 and Y125.50 compared with Y124.70. It was also firmer against the Swiss franc at SFr1.5015 from SFr1.4935 and FFr6.1000 against FFr6.0850. On Bank of England figures, the dollar's exchange rate index rose from 95.5 to 95.7.

Sterling was left on the sidelines for most of the day. It crept up cautiously during the morning, to touch its best level since mid-August, but the dollar's continued improvement, after tbe start of trading in New York, left sterling below its best level. Its exchange rate index finisbed at 76.7, uncbanged from Monday's close, but down from an opening of 76.8, and a high of 76.9, touched in early afternoon trading. The BBC-TV interview on Monday night with Mr Nigel Lawson, Chancellor of the Excbequer, failed to provide any fresb clues on monetary or fiscal policy, and left sentiment unmoved.

Sterling finished weaker against a stronger dollar, which on balance, left the pound largely uncbanged against major European currencies. It closed at DM3.1675 against the D-Mark, the same as Monday's close, having briefly climbed above DM3.17. It was sligbtly easier against the French franc at FFr10.800 from FFr10.8050, but was marginally stronger against the Swiss franc at SFr2.6575 compared with SFr2.6525. Elsewbere it closed at Y222.25 from Y221.50 and $1.7705 against $1.7755.

The Canadian dollar recovered slightly against the US dollar, in contrast to Monday's sharp decline. The fall was a reaction to results of an opinion poll, which put the opposition Liberal Party ahead of the ruling Conservative Party, in the run up to elections on November 21.

The US unit opened at C$1.2330, and managed to hold abova support at C$1.2320 to move up to C$1.2360 by midday. However, dealers reported resistance at C$1.2375, and the US unit came back to finish at C$1.2350, down from C$1.2370 on Monday.

£ IN NEW YORK

Nov.8	Latest	Previous Close
£ Spot	1.7783-1.7788	1.7795-1.7805
1 month	0.50-0.49pm	0.50-0.49pm
3 months	1.47-1.45pm	1.47-1.45pm
12 months	4.95-4.85pm	4.95-4.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 8	Previous
8.30 am	76.8	76.6
9.00 am	76.8	76.6
10.00 am	76.8	76.7
11.00 am	76.8	76.7
Noon	76.9	76.8
1.00 pm	76.9	76.7
2.00 pm	76.8	76.7
3.00 pm	76.7	76.7
4.00 pm	76.7	76.7

CURRENCY RATES

Nov 8	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.755365	0.654430
U.S Dollar	6.50	1.34115	1.16390
Canadian $	8.75	1.65967	1.43649
Austrian Sch.	4	16.8609	14.5860
Belgian Franc	7	50.1992	43.4747
Danish Krone	7½	9.24388	7.99369
Deutsche Mark	3½	2.39422	2.07454
Neth Guilder	4	2.70175	2.33968
French Franc	9¼	8.17364	7.07723
Italian Lira	12½	1779.65	1541.47
Japanese Yen	2½	167.644	145.271
Norway Krone	8	8.93876	7.73006
Spanish Peseta	-	157.907	136.584
Swedish Krona	8½	8.30775	7.18477
Swiss Franc	3	2.00636	1.73887
Greek Drach.	20½	N/A	170.780
Irish Punt	-	N/A	0.775780

*All SDR rates are for Nov.7

CURRENCY MOVEMENTS

Nov.8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.7	-15.6
U S Dollar	95.7	-12.0
Canadian Dollar	82.3	-4.9
Austrian Schilling	135.5	+10.1
Belgian Franc	98.6	-5.7
Danish Krone	89.7	+0.1
Deutsche Mark	145.1	+21.4

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4747	+2.39	+0.85	±1.5344
Danish Krone	7.85212	7.99369	+1.60	+0.06	±1.5404
German D-Mark	2.05853	2.07454	+0.78	-0.76	±1.0981
French Franc	6.90403	7.07723	+2.51	+0.97	±1.3674
Dutch Guilder	2.31943	2.33968	+0.87	-0.67	±1.5012
Irish Punt	0.768411	0.775780	+0.96	-0.58	±1.6684
Italian Lira	1483.58	1541.47	+3.90	+2.97	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7675 - 1.7825	1.7700 - 1.7710	0.55-0.52cpm	3.63	1.47-1.42pm	3.26
Canada	2.1845 - 2.1985	2.1860 - 2.1870	0.31-0.21cpm	1.43	0.68-0.55pm	1.13
Netherlands	3.56¾ - 3.57¾	3.56¾ - 3.57¾	2¼-2cpm	6.93	6-6¾pm	6.58
Belgium	66.20 - 66.55	66.25 - 66.35	33-22cpm	4.98	90-74pm	4.95
Denmark	12.18¾ - 12.22½	12.21½ - 12.22½	4¾-4¼orepm	4.54	12-11¾pm	3.87
Ireland	1.1815 - 1.1875	1.1840 - 1.1850	0.48-0.43cpm	4.61	1.33-1.19pm	4.25
W. Germany	3.16½ - 3.17¼	3.16½ - 3.17	2-1⅞pfpm	7.34	5⅝-5½pm	7.10
Portugal	260.55 - 263.30	260.55 - 261.60	par-32cdis	-0.74	38-136dis	-1.33
Spain	208.40 - 209.10	208.60 - 209.10	27-10cpm	1.06	28-6pm	0.33
Italy	2349½ - 2357½	2352½ - 2353½	3-1lirepm	1.02	5-2pm	0.59
Norway	11.76¾ - 11.82½	11.79½ - 11.80½	¼-½oredis	-0.32	¼-1¼dis	-0.36
France	10.79½ - 10.82½	10.79½ - 10.80½	4-3⅝cpm	4.24	11-10¼pm	3.54
Sweden	10.95½ - 10.99	10.96¼ - 10.97¼	1¼-1orepm	1.30	4-3½pm	1.34
Japan	221¼ - 223	221¼ - 222¼	1⅝-1½ypm	8.10	4½-4¼pm	7.65
Austria	22.20 - 22.30	22.20 - 22.25	12½-11gropm	6.34	35-33pm	6.12
Switzerland	2.65¼ - 2.66¼	2.65¼ - 2.66¼	2¼-1⅞cpm	7.90	5½-5pm	7.62

Belgian rate is convertible francs. Financial franc 66.85-66.95. Six-month forward dollar 2.74-2.69cpm 12 month 4.85-4.75pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7675 - 1.7825	1.7700 - 1.7710	0.55-0.52cpm	3.63	1.47-1.42pm	3.26
Ireland†	1.4930 - 1.5035	1.4935 - 1.4945	0.06-0.11cdis	-0.68	0.25-0.35dis	-0.80
Canada	1.2315 - 1.2355	1.2345 - 1.2355	0.21-0.24cdis	-2.19	0.65-0.68dis	-2.15
Netherlands	2.0035 - 2.0210	2.0175 - 2.0185	0.56-0.54cpm	3.29	1.70-1.66pm	3.34
Belgium	37.25 - 37.55	37.40 - 37.50	5.30-3.30cpm	1.38	18.00-14.00pm	1.71
Denmark	6.84¾ - 6.90½	6.90 - 6.90½	0.60-0.30orepm	0.79	1.50-1.20pm	0.79
W. Germany	1.7760 - 1.7940	1.7885 - 1.7895	0.57-0.54pfpm	3.74	1.69-1.65pm	3.75
Portugal	147½ - 148½	148¼ - 148½	40-70cdis	-4.47	130-205dis	-4.54
Spain	117.15 - 118.05	117.95 - 118.05	22-32cdis	-2.76	88-98dis	-3.17
Italy	1320¾ - 1331	1328¾ - 1329¾	2.50-3.00liredis	-2.49	0.20-8.90dis	-2.58
Norway	6.62¼ - 6.66¾	6.66¼ - 6.66¾	2.05-2.20oredis	-3.84	5.90-6.20dis	-3.64
France	6.06½ - 6.11½	6.09¾ - 6.10¼	0.38-0.31cpm	0.68	1.15-1.00pm	0.71
Sweden	6.16¾ - 6.19¾	6.19¼ - 6.19¾	1.05-1.20oredis	-2.19	2.90-3.10dis	-1.94
Japan	124.60 - 125.70	125.45 - 125.55	0.48-0.45ypm	4.46	1.38-1.35pm	4.36
Austria	12.49½ - 12.57½	12.56½ - 12.57	4.00-3.00gropm	3.36	10.00-8.00pm	2.88
Switzerland	1.4890 - 1.5045	1.5010 - 1.5020	0.63-0.60cpm	4.94	1.78-1.73pm	4.70

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.75-37.85.

EURO-CURRENCY INTEREST RATES

Nov.8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12¼-11¾	12⅛-11⅞	12-11⅞	12⅛-12¼	12¼-12⅛	12⅛-11⅞
US Dollar	0½-8¼	8⅞-8⅞	8½-8¼	8⅞-8¾	8⅞-8¾	8⅞-8¾
Can. Dollar	10-9¾	10¼-10⅛	10⅛-10¼	10⅛-10⅓	10⅛-10⅛	10⅞-10⅝
D. Guilder	5⅜-5⅛	5⅛-5⅛	5⅛-5⅛	5⅜-5⅛	5⅜-5⅛	5⅞-5⅝
Sw. Franc	3⅛-3⅛	3⅛-3⅛	3⅞-3⅞	4⅛-3⅞	4⅛-3⅞	4⅛-3⅞
Deutschmark	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	5-4⅞	5⅛-4⅞	5⅛-4⅞

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10. Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates steady

THERE WAS little change in interest rates on the London money market yesterday. Trading lacked new factors, apart from the US Presidential election. Three-month interbank was unchanged at 12⅛-12¼ p.c.

The Bank of England forecast a London money market credit shortage of £850m, and provided total belp of £898m.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The authorities offered an early round of assistance, and at that time bought £14m bills, by way of £13m bank bills in band 1 at 11¾ p.c., and £1m bank bills in band 4 at 11⅞ p.c.

Before lunch tbe Bank of England purchased another £76m bills, through £40m bank bills in band 2 at 11⅞ p.c.; £4m bank bills in band 3 at 11¾ p.c.; and £32m bank bills in band 4 at 11⅞ p.c.

In the afternoon the authorities bought £608m bills, via £329m bank bills in band 1 at 11⅞ p.c.; £16m local authority bills in band 2 at 11⅞ p.c.; £112m bank bills in band 2 at 11⅞ p.c.; £64m bank bills in band 3 at 11¾ p.c.; £19m local authority bills in band 4 at 11⅞ p.c.; and £68m bank bills in band 4 at 11⅞ p.c. Late assistance of around £200m was also provided.

Bills maturing in official bands, repayment of late assistance, and a take-up of Treasury bills drained £411m, with Excbequer transactions absorbing £310m, and bank balancea below target £165m. These factors outweighed a fall in the note circulation adding £50m to liquidity.

The average yield on three-month ECU linked UK Treasury bills rose to 7.26 p.c. from 7.18 p.c. at this month's tender. The average yield on one-montb bills rose to 7.22 p.c. from 6.97 p.c., while six-month bills were unchanged at 7.27 p.c. The 750m ECUs on offer attracted bids of 2.96bn.

In Frankfurt the West German Bundeabank offered another variable rate securities repurchase agreement tender, to run for 28 days. The last such tender commanded rates of 4.35 p.c. to 4.75 p.c.

Call money beld steady at 4.75 p.c. on the news, and dealers suggested there could be a reduction of up to DM4bn in the size of this week's allocation without signalling tighter monetary policy. This points to the Bundesbank providing around DM12bn at the tender, compared witb an expiring agreement of DM16bn.

Liquidity is expected to increase this month as Christmas bonus payments are made, and tbe effect is felt of an increase in the Bundesbank's rediscount quotas.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.8) 3 months US dollars		6 months US Dollars	
bid 8¹¹⁄₁₆	offer 8¹³⁄₁₆	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed. funds	8¾
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.25	Three year	8.59
Two month	7.21	Four year	8.62
Three month	7.83	Five year	8.66
Six month	8.16	Seven year	8.78
One year	8.32	10-year	8.90
Two year	8.51	30-year	8.96

Nov. 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.80	4.65-4.80	4.75-4.90	4.80-4.95	4.85-5.00	5.00
Paris	7⅞-7⅞	7¾-7⅞	7⅞-7⅞	7⅞-8	8-8¼	7.25
Zurich	1⅞-1⅞	3⅝-3⅞	-	3⅞-4⅛	-	-
Amsterdam	5.50-5.62	5.25-5.35	-	5.25-5.35	-	-
Tokyo	3.78125	-	-	-	-	-
Milan	10½-10⅞	11⅛-11⅞	-	11½-12	-	-
Brussels	6.55	7⅛-7¼	-	7⅛-7¼	-	-
Dublin	7½-7¾	7½-7¾	7¾-7⅞	7¾-8	8¼-8¾	-

LONDON MONEY RATES

Nov.8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13	12⅛	12⅛	12¼	12⅜	12¼
Interbank Bid	8	12	11⅞	12⅛	12¼	11⅞
Sterling CDs	-	-	11⅞	12⅛	12⅛	11⅞
Local Authority Deps.	12¼	12⅛	12⅛	12¼	12⅛	12⅛
Local Authority Bonds	-	-	12⅛	12¼	12¼	12⅛
Discount Mkt Deps.	12	12	11¾	11¾	-	-
Company Deposits	-	-	11⅞	12⅛	12⅛	11⅞
Finance House Deposits	-	-	11⅞	12⅛	12⅛	12

FINANCIAL FUTURES

A slightly better tone

US TREASURY bonds were slightly firmer on Liffe yesterday, and sterling interest rate contracts also showed small gains in very quiet trading. The US Presidential election cast a dampening influence over the market, as traders waited for the outcome.

Mr Nigel Lawson, tha UK Chancellor of the Exchequer, came through a major television interview without too much trouble, according to dealers, but this was mainly because of a lack of penetrating questions, they said, and generally found the discussion unconvincing.

Although tha Chancellor ruled out a depreciation of sterling, it was suggested that the pound might not keep pace with the D-Mark if the dollar falls after the US election.

Japanese Government bond futures weakened with the yen. Traders said this reflected nervousness about the health of Emperor Hirohito, and the view that institutional investors in Tokyo are likely to sell the yen, as a mark of respect, if the Emperor dies.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7705	1.7651	1.7560	1.7433	1.7225

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.7674	1.7718	1.7660	1.7734
Mar	1.7534	1.7560	1.7534	1.7606
Jun	1.7430	-	1.7430	1.7470

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

LONDON STOCK EXCHANGE

Confidence booster for equities

Account Dealing Dates			
*First Dealings:	Oct 31	Nov 14	Nov 28
Option Declarations:	Nov 10	Nov 24	Dec 8
Last Dealings:	Nov 11	Nov 25	Dec 9
Account Day:	Nov 21	Dec 5	Dec 19

*New time dealings may take place from 9.00 am two business days earlier

Growing confidence in a US presidential victory for George Bush reversed a decline that had encompassed the past four trading sessions in London's equity market.

Sentiment and, equally importantly, turnover picked up strongly in the City with blue chips gaining ground throughout a busy session to close a whisker below the day's best levels.

The FT-SE 100-share index, having opened with a seven points-plus gain, gradually improved, bolstered by a turnround in the US market, and at its peak was showing a 21.6 gain before closing a fraction off its best levels at 1840.6, a net gain of 20.8.

Turnover, including customer and marketmaker business picked up significantly and eventually topped the 500m shares level, settling at 502.8m, well ahead of Monday's depressed level of 331m. Yesterday's figure was given a considerable boost by a couple of programme trades, one a mixed programme and the other purely on the buying tack.

There was widespread relief – some thought it was hope – that the late run by Governor Dukakis had, according to the experts, come too late. But traders are now bracing themselves for the reaction by markets all over the world, especially Japan, to the presidential outcome.

The prevailing London mood appeared to be that markets will move ahead short term, then mark time for a period before making a decisive move. An economist at one of the leading US investment houses in London said that any major attempt at a sell-off in the dollar would be met by concerted central intervention.

The London market, according to one senior analyst is "solidly underpinned and any euphoria will ripple into London, although the latter is seemingly locked in a range of 1810 to 1860 on the FT-SE".

Apart from the excitement generated by the US election there were plenty of individual features in London yesterday, where buying interest was partly fuelled by an 18 point premium on the FT-SE 100 index in the futures market.

The management upheaval at Charter Consolidated, instigated by Minorco, which recently had its record-breaking £2.9 bn bid for Consolidated Gold Fields referred to the Monopolies Commission, triggered a steep rise in Charter's shares as well as those of Johnson Matthey and Cape Industries where Charter has major stakes. The market now believes that Charter could be used as a vehicle to launch another attack on Consolidated Gold Fields.

Sainsbury boosted sentiment with excellent interim results, whiole the television companies made rapid progress in response to the Goverment's proposed changes in broadcasting.

FINANCIAL TIMES STOCK INDICES

	Nov. 8	Nov. 7	Nov. 4	Nov. 3	Nov. 2	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.89	88.59	88.82	89.02	89.19	92.32	91.43 (18/4)	86.28 (2/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.39	97.43	97.57	97.80	97.66	95.44	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1491.0	1475.0	1485.6	1489.5	1495.6	1246.9	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	174.8	174.0	174.5	175.3	188.9	265.5	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Dl. Yield	4.70	4.74	4.71	4.69	4.67	4.97
Earning Yld %(full)	11.82	11.94	11.85	11.80	11.78	12.32
P/E Ratio(Net)(*)	10.24	10.14	10.23	10.27	10.30	9.92
SEAQ Bargains(5pm)	23,502	23,092	22,985	21,732	22,599	38,569
Equity Turnover(£m)	-	971.42	1324.63	1083.41	920.50	1366.55
Equity Bargains†	-	24,235	24,122	23,198	22,988	42,132
Shares Traded (mil)†	-	321.9	490.1	393.7	373.7	713.5

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1479.9	1485.4	1485.7	1485.7	1486.7	1486.8	1489.3	1490.4

DAY'S HIGH 1491.1 DAY'S LOW 1478.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.15 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Nov. 7	Nov. 4
Gilt Edged Bargains	108.2	121.0
Equity Bargains	157.0	156.3
Equity Value	1761.4	2677.4
5-Day average		
Gilt Edged Bargains	113.4	110.2
Equity Bargains	153.9	152.5
Equity Value	2076.6	2036.0

● London Report and latest Share Index: Tel. 0898 123001

Racal rally forecast

Racal shares bounced after their recent poor run, rising 6½ to 257½p in turnover of 6.4m. This followed major activity in the traded options market on Monday and yesterday as professional investors jockeyed for positions.

Mr Brian Newman, electronics analyst at Chase Manhattan Securities, commented: "We rate the shares a buy, partly on the grounds that they have been well oversold, but more importantly because the interim results due on December 13 should show a strong trading performance." Chase is forecasting £63m, against £43.4m, while the figure for the year to March 1989 is £190m, against £138m.

Some Racal divisions which reported flat performance last time, notably datacoms and security operations, are expected to show a much improved contribution, but the Vodafone "jewel in the crown" is the main generator of the increased profits.

There was speculation in the market that net installations of Vodafone equipment are running at record levels, well in excess of 2,500 per week. In addition there was also unconfirmed talk that Lord Young, the Trade and Industry Minister, will host a major presentation at the end of November to celebrate Vodafone's 250,000th subscriber.

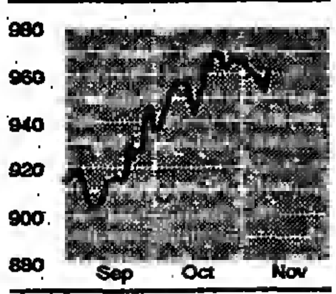
Charter for change

The appointment of two key executives of Minorco to the board of Charter Consolidated, 36 per cent-owned by the South African controlled group, started a chain reaction among associate concerns of the UK trading group. The move, part of Minorco's new image to be involved in "hands-on" management of its major investments, aroused keen buying not only of shares in Charter, but also those of Johnson Matthey and Cape Industries.

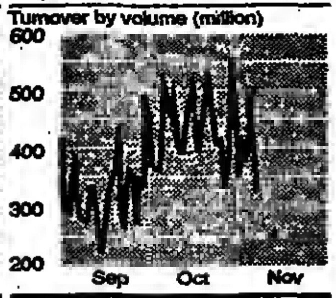
Charter holds a stake of 38 per cent in Johnson Matthey, the precious metals and materials technology company, 74 per cent of Cape Industries, the building materials concern, and 60 per cent of Beralt Tin and Wolfram. On Monday Johnson Matthey announced its first acquisitions since the collapse of the banking side four years ago, through the purchase of North American businesses for £20m.

Minorco is aiming to shake up Charter by working more closely with the board, rather than by making an outright bid for the group and Charter stressed it would continue to operate independently. But there was still speculation in the market yesterday of further developments. Charter closed 24 higher at 481p, Johnson Matthey 12½ up at 392p and Cape Industries 17 firmer at 176p.

FT-A All-Share Index



Equity Shares Traded



RHM goes lower

Ranks Hovis McDougall, weak since Monday's speculation that the tender of Goodman Fielder Wattie's 29.9 per cent stake had not gone well, was one of very few leading issues not to benefit from the general change of tack in the market. In thin trade of 1.5m, RHM shares fell 8 to 368p.

County NatWest WoodMac yesterday rated the shares a hold, advising that "discussions with Goodman Fielder have indicated that it has received a disappointing response to its tender offer. The situation could take longer to resolve than many observers expect." There was speculation among other analysts that Goodman Fielder may not have had a single approach for its stake, while some dealers thought that the continued poor performance of RHM shares owed more to the fact that most marketmakers have plenty of the stock on their books.

RHM's final results are due soon and are expected to show good trading performance in all divisions. The effective downside on the shares is limited – most analysts agree that at 350p the shares would be cheap on fundamentals.

Investors took closer note of Jaguar on the back on advice from Panmure Gordon, the broking house. The research team there is aware of the group's poor profits history but is less pessimistic in its projections than the majority of analysts who expect the deterioration to continue next year.

They forecast profits will bounce from an estimated £44.6m this year to £180m in 1990 and believe that the present share price neither reflects the company's worth to one of the major multinationals when a bid to emerge in 1991, after expiry of the "golden share", nor its "trading" valuation, given the possibility of a recovery in profits. The shares gained 10 to close at 277p.

A lively trade developed when the new nil-paid shares resulting from Polly Peck's £132m rights issue made their debut. The premium fluctuated as 6.1m shares, representing the balance not taken up by Mr Asil Nadir, the chairman who took up only 50.5 per cent of his full entitlement, were placed early at levels around 42p premium.

The new shares then went higher to close first-time dealings at a 46p premium, with the old settling at 306p ex-rights. Robert Sassoon of County NatWest WoodMac said, "most analysts had good expectations of the issue and now it is out of the way, we can look at how the group is going to expand. I still rate the shares a buy."

International stocks started slowly, with investors understandably unwilling to commit themselves until the results of the US election were known. Most stocks recorded good gains as dealers reversed Monday's price decline and marked the market better. *Among few features,* Amersham International rose 17 to 567p ahead of today's interim results. Analysts at Warburg Securities are forecasting £12.5m.

Wellcome firmed 9 to 461p in turnover of 1.2m shares. Steve Plag and Jonathan de Pass at Flemings Research point out that Wellcome, "is a pharmaceutical company with not just one potential blockbuster, but two – Retrovir and Zovirax." Arguing that the anti-herpes drug Zovirax is too often ignored, they rate the shares a buy ahead of final results next week.

The oil and gas sector staged a strong advance with the two "majors" leading the way, followed closely by LASMO and Enterprise. The sector shrugged aside a decline in crude oil prices, which dipped some 20 cents at one point following reports that Saudi Arabia has offered further discounts to Japanese customers during November.

BP were again strongly supported ahead of tomorrow's third quarter figures. Dealers reported a fresh bout of good US support and the "old" shares moved up 4 more to 250p on turnover of 5.2m ; the "new" were finally 4¼ up at 147½p on turnover of 5.1m. The appeal by the Kuwait Investment Office for the UK authorities to extend the deadline for the KIO's reduction of its 21.7 per cent stake to below 10 per cent was also seen as bullish for the shares.

Shell attracted keen interest for much of the session, also in front of third quarter numbers, but was restrained at higher levels as a persistent seller operated through the inter-broker dealer screens; at the close, Shell were quoted 12 higher at 978p. Turnover was 1.5m shares.

LASMO and Enterprise moved sharply higher after the former's shareholders approved the sale of LASMO's 25.2 per cent stake. Dealers are confident that the 81.8m shares held in Enterprise will be sold over the next two weeks at a price adjacent to current levels. "If LASMO can sell its stake for something like 580p a share, then a predator would want to pick up LASMO before it gets the chance to spend that money." LASMO jumped 10 to *504p and Enterprise 9 to 581p.*

Barclays featured prominently in the morning programme trade, as did Royal Bank of Scotland which jumped 9½ to 344p after solid demand on the inter-dealer broker screens. TSB, with turnover of 2.6m, including a single deal of 1.8m at 108p as part of the programme trade.

Among brewers, Grand Metropolitan rose 9½ to 453p in turnover of 4.2m on increasing hopes that it will succeed in its bid for Pillsbury. Whitbread rallied 9 to 310p ahead of its interim figures on November 16.

Leading electrical issues began tha day quietly, bnt gained momentum as the sector came back into favour and by the close was markedly higher. Racal led the way, but defence-related stocks, notably Ferranti, were boosted by news of the UK Government's order for 41 Tornsdo fighters. In active trade of 5.5m, Ferranti rose 4 to 87p. Plessey rose 6½ to 175p in turnover of 5.7m, while GEC sdded 2½ to 174½p (turnover was a high 7.7m shares) as US buyers emerged.

A strong performance from British Telecom saw the shares gain 4½ to 248p in turnover of 4.1m. Dealers said the stock's defensive qualities snd yield made it attractive in an uncertain market and reported good demsnd. Greneda Gronp jumped 14½ tp 341p, benefiting from the strong performance by Television-related issues following Monday's Government White Paper on the future of broadcasting.

Rolls Royce was included in the early programme trades and registered heavy volume of 7.8m sbares, but tbe price ended only marginally firmer at 134p.

Sparkling profits from Sainsbury gave a fillip to the Food sector. The excellent increase in earnings left analysts with little to complain about and the shares were chased 4½ higher to 204½p in turnover of 3.9m. Mr Bill Currie, analyst et Hoare Govett, has raised his forecast for the full year by £5m to £355m and adds that the stock stands on an undemanding rating given its high quality. Tesco ran 3 higher on the back of the Sainsbury figures to 135p after good trade of 4.1m.

British Aerospace rose 8 to 498p after confirmation by the Under Secretary of State for Defence Procurement in the House of Commons yesterday that the MOD order for 41 Tornado fighters will go ahead. Mr Robert Speed, sector researcher at UBS Phillips and Drew, commented: "Althougb we bave been expecting the decision, it is still bighly encouraging".

Hornby jumped 9 further to 230p, stimulated by the Charterhall holding of 14.7 per cent, but excellent first-half figures failed to boost Yale & Valor, at 351p, and Health Care Services dipped 6 to 60p on lower interim profits.

After a quiet performance while details of the future of the broadcasting industry were announced on Monday, Television issnes met very strong demand and most companies saw tbeir sbares surge to recent higbs. HTV led the way, rising 17 to 294p, Central rose 26 to 568p and LWT added 12 to 193p. Dealers said activity centred on companies wbere there are known stakes or bid speculation, citing Central and also Thames, whicb rose 16 to 416p.

London Shop was up 31 to 297p in response to news that Peel Holdings, down 6 at 329p, is now the owner of a 21.2 per cent stake, having acquired the bolding of Britisb Steel pension funds.

Parrish, the listed stockbroker, ommitted the dlvidend and revealed a £2.1m loss, news which sent the shares tumbling 55 to 110p. Henderson Administration, the fund management group, also produced poor results - profits at the half-way stage were well down on tbe previous year - and closed 40 lower at 630p.

Entbusiasm for Lonrho slowed and short-term investors opted to take profits, a development whicb brought the shares back 6 to 416p after turnover of 5.5m.

Activity in Traded options reacbed the high level of 43,867, again showing a recovery from Monday blues, awaiting the outcome of the US Presidential Election. Call business totalled 33,644 contracts, and put 10,223. The day's dealings were noteable yet again for tbe share taken by trading in the FT-SE 100 index contract, whicb covered 7,048 calls and 3,516 puts, but left open interest on tbe one side up less than 3,000 to just over 26,000 on the call side, on tbe early count, and just under 2,400 to almost 34,000 on the put.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (77). BRITISH FUNDS [illegible] BANKS [illegible] BREWERS [illegible] Newarthill, Pochins, RMC, CHEMICALS (1) HPC Grp., ELECTRICALS (2) Plasmec, Zygal Dynamics, ENGINEERING (3) Booth Inds., Chemring Grp., Garton Eng., FOODS (2) Appleby Westward Grp., Clifford's Dairies, HOTELS (2) Friendly Hotels, Queens Moat, INDUSTRIALS (12) Barry Wehmiller, Cape Inds., Charter Cons., Cooper (A.), EIS, Granada, Hornby Grp., Johnson Cleaners, Lilleshall, Serco Grp., Sketchley, Spandex, LEISURE (8) Airtours, Anglia T.V., Central ITV, Cityvision, First Leisure Corp., HTV, LWT, Thames T.V., MOTORS (1) ERF (Hldgs), NEWSPAPERS (3) Assoc. News, Blenheim Exhibits, Gardner D.C., PAPERS (1) TMD Advertising, PROPERTY (7) Sillon (P.), London Shop, [illegible] TEXTILES (1) Mackay Hugh, TRUSTS (18), NEW LOWS (26). AMERICANS (4) Eaton Corp., Gandalf Tech. Inc., Texas Instr., TRINOVA Corp., CANADIANS (3) Bow Valley, Imperial Oil, BUILDINGS (1) NSM, STORES (1) Specialeyes, ENGINEERING (1) Cauldron Grp., INDUSTRIALS (6) Baxter Int'l. Inc., Dover Corp., Fobel Int'l., Kelsey Inds., Lawtex, Smithkline Beckman, INSURANCE (1) NZI Corp., PAPERS (1) Osborne & Little, TRUSTS (2) Parrish, Thai Euro. Fd., OILS (2) Sandpiper Oil, Sceptre Res., MINES (8) Loraine, Independent Res. Ltd., Paragon Res. N.L., West Coast, McFinley Rd. Lake, THIRD MARKET (2) Cupid, Ovoca Gold.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	709	145	+2
Abbey Life	578	230	+1
Allied-Lyons	790	466	+4
Amstrad	2,500	188½	+1
Argyll Group	1,000	167½	+1½
Ass. Brit. Foods	255	320	+1
BAA	1,500	280	+3
BAT	956	458	+5
BET	2,900	233	+2
BICC	267	375	+1
BOC	856	421	+2
BPB Inds	990	269	+4
BTR	3,700	296	+1
Barclays	2,200	408	+4
Bass	906	816	+13
Beazer	607	180	+1
Brecham	1,100	466	+3
Blue Arrow	2,100	93½	+1½
Blue Circle	754	452	+6
Boots	1,100	227	+2
British Airways	2,300	149	+2
Brit. Aerospace	1,800	498	+8
Brit. & Comm.	4,600	244	-7
British Gas	6,000	165	+1½
British Land	512	349	+8
BP	5,000	250	+4
British Telecom	4,100	248	+4½
Burmah Oil	256	539	+1
Burton	2,700	199½	+4
Cable & Wireless	1,800	391	+3
Cadbury Schweppes	2,300	367½	+7½
Coats Viyella	1,800	176	+3

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	697	336½	+1½
Cons. Gold Fields	879	£11½	+⅛
Cookson	4,550	276	-1
Courtaulds	2,300	287½	+½
Dalgety	351	336	+6
Dixons	1,100	141	+1
Eng. China Clays	244	485	+4
Enterprise Oil	1,250	581	+9
FKI Babcock	933	133	+2
Fisons	968	246½	+3½
Gateway Corp	844	169	+1
General Accident	395	849	+2
General Elect.	1,700	174½	+2½
Glaxo	945	£10⅞	+⅛
Globe Inv.	2,830	146½	+1½
Glynwed Int.	292	299	+2
Granada	6,330	341	+14½
Grand Met.	4,200	453	+9½
GUS A	93	£00¼	+¼
GRE	1,100	179	+½
GKN	1,066	332	+6
Guinness	2,100	338	+1
Hammerson 'A'	68	606	+9
Hanson	4,100	155½	+1½
Harrisons & Cros.	522	675	+6
Hawker Siddeley	223	565	+9
Hillsdown Hldgs	1,930	265½	+7½
IMI	986	211	+1
Imp. Chem.	771	£10¼	+¼
Inchcape	526	228	+2
Jaguar	3,064	277	+10

Stock	Volume 000's	Closing Price	Day's change
Ladbroke	2,800	446	+4
Land Securities	457	591	+7
Laporte	690	390½	+4½
Legal & General	985	295½	+1½
Lloyds Bank	1,300	334	+3
LASMO	1,500	504	+10
Lonrho	5,500	416	-6
Lucas	708	579	+3
MB Group	0	273½	
MEPC	161	569	+10
Marks & Spencer	1,400	159	+1
Maxwell Comm	1,100	209	+4
Midland Bank	275	409	+4
Nat. West. Bank	1,700	536	+4
Next	709	167	+1
Northern Foods	168	283	+3
Pearson	157	709	+1
Pearl	588	453	+1
P & O	1,600	579	+7
Pilkington	1,300	226	+4
Plessey	5,700	175	+6½
Prudential	844	155	+1
Racal	6,400	287	+6
Rank Org.	224	739	
RMC	1,000	513	+9
RHM	1,900	368	-8
Reckitt & Colman	371	929	-1
Redland	359	439	+9
Reed International	1,400	411	+3
Reuters 'B'	525	496	+1
RTZ	1,600	455	+9
Rolls Royce	7,600	134	+2½

Stock	Volume 000's	Closing Price	Day's change
Rothmans	452	469	
Royal Bk. of Scotland	1,700	344	+9½
Royal Insurance	1,300	382	+2
STC	538	298½	+1½
Saatchi & Saatchi	1,000	358	+5
Sainsbury	3,900	204½	+4½
Scott & Newcastle	608	401	
Sears	4,800	127	+2
Shell Transport	1,470	978	+12
Siebe	271	389	+1
Slough Ests	679	336	+6
Smith & Nephew	413	137	
Standard Chartd	253	475	
Storehouse	1,500	151	+1
Sun Alliance	679	£10¼	+¼
T&N	3,500	178	+2
TSB	2,600	108	+1
Tarmac	1,500	255	+2
Tate & Lyle	519	851	+3
Tesco	4,100	135	+3
THORN EMI	1,200	663	+5
Trafalgar House	985	315	+4
Trusthouse Forte	6,100	273	+6
Ultramar	782	238	+4
Unilever	1,100	482	+6
United Biscuits	1,400	297½	+6½
Utd. Newspapers	182	404	+1
Wellcome	1,135	461	+9
Whitbread 'A'	1,500	310	+9
Williams Hldgs.	699	759	+2
Wimpey	719	258	-2
Woolworth Hldgs.	1,100	344	+4

APPOINTMENTS

Director of safety for British Rail

■ BRITISH RAILWAYS BOARD has appointed its first director of safety. He is **Mr Maurice Holmes**, director of operations. The objectives of the new post are: identification of all potential hazards to customers and the general public, to the workforce, and to buildings and equipment; definition, regular testing, and updating of procedures to prevent accidents; and planning to ensure that the Board is properly prepared to deal promptly and effectively with any mishaps which do occur. **Mr Ivor Warburton**, employee relations manager, takes over as director of operations from November 14.

■ PORTER CHADBURN has appointed **Mr Robert Wivell** as managing director of Continental Pressing Technic. He was managing director of Rose Forgrove. **Mr Derek Panteney**, managing director of Tasco Toys and Hobbies, and **Mr Charles Maconie**, managing director of Sportline, have been promoted to the board of Tasco Distribution. **Mr Stephen Julius**, from Boston Consulting Group, has joined the corporate development group.

■ ***Mr Neil G. McGowan** has* been appointed business development director of GRAND METROPOLITAN. He was finance director of Grand Met subsidiary International Distillers and Vintners. He is succeeded at IDV by **Mr David Defty** who was finance director of Woolworth.

■ The INSOLVENCY PRACTIONERS ASSOCIATION has appointed **Mr Peter Phillips**, of Buchler Phillips, as president and **Mr Stephen Adamson**, of Arthur Young, as vice president.

■ MOSAIC INVESTMENTS has appointed **Mr Leon Angrave** as group financial controller from December 5. He joins from Apricot Financial Systems where he is financial controller.

■ Following the acquisition of Hibon International, France, and Stokes Vacuum Inc., of Philadelphia, US, EIS GROUP has formed a vacuum and filtration division comprising the two new companies together with Hick Hargreaves & Co., and Airpel Filtration. **Mr J.G. Masters**, who was managing director of Hick Hargreaves, will be responsible for the new division. He is succeeded by **Dr K.J. Gradwell**, *who joins from the Mather & Platt machinery division of the Weir Group.* **Mr J. McFadden** has been appointed president of Stokes Vacuum Inc.

■ **Mr Jeffrey Clayton** has been appointed an executive director of EZD PROPERTY GROUP, and Enterprise Zone Developments. He was deputy managing director of English Estates North.

■ **Mr Tim Halfhead** has been appointed managing director of WINDSOR CABLE TELEVISION. He was director of sales and marketing, and is a director of the parent company, The Cable Corporation.

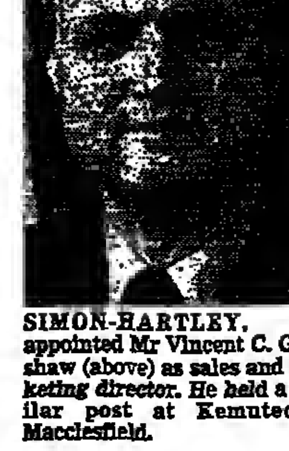
■ TRANSRAP HOLDINGS, Derby, has appointed **Mr Chris Charlton** as chairman. He was deputy chairman, and succeeds **Mr John Tonks**, who becomes a non-executive director. **Mr Mike Insley**, who was production director, becomes managing director, Transrap Packaging. This post was previously held by **Mr Hayden Newton** who is now group managing director. **Mr David Wagstaff** becomes group chief accountant. **Mr Mike Newton**, works manager, is promoted to works director, Transrap Packaging.

■ **Mr Jeremy Gough**, former managing director of EIM, part of the B. Elliott Group, has been appointed managing director of Beaumont Machine Tools, Coalville, Leics. Joining him on the board are **Mr John Jones** and **Mr Bill Tempest**.

■ **Mr Peter Earl**, chief executive of Tranwood, has retired from the board of ANALYSIS CORPORATION. **Miss Emma Saunders**, a founder director of Analysis, has been appointed chairman of the corporation.

■ HODGSON IMPEY FINANCIAL SERVICES has promoted **Mr Andrew Nairn** from managing director to chairman. He is succeeded by **Mr Ian Pratt**.

■ **Mr Derek Burgess** has been appointed regional director, south, and **Mr Colin Wark** has been appointed regional director, north, in STANDARD CHARTERED's UK corporate banking network.



SIMON-HARTLEY, has appointed Mr Vincent C. Grimshaw (above) as sales and marketing director. He held a similar post at Kemutec of Macclesfield.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	1988 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
27¼	20⅞	Texas Instr. $1	20⅞xd	−½	72c	−	2.0
70¼	43¼	Time Inc. $1	60¼xd	−2⅛	$1.00	−	1.0
21½	15⅞	Transamerica $1	19xd	−⅛	$1.84	−	5.7
20½	14½	TRINOVA Corp.	14½xd	−⅛	64c	−	2.7
19	13½	USX $1	15⅞xd	−⅛	$1.20	−	4.5
24⅛	17⅛	Utd Technologies	23⅛xd	−⅛	$1.60	−	4.1
34⅛	26¼	US West‡	32½	....	$3.52	−	6.4
24⅞	16⅞	Waste Management $1	22¼	−⅛	48c	−	1.3
16⅞	12⅞	Whirlpool $1	15	....	$1.10	−	4.3
33⅞	18¼	♥Woolworth $3½	29¾	−1⅛	$1.64	−	3.3

CANADIANS

1988 High	1988 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp ‡	102p	−1	−	−	−
32p	11p	♥Abbot Energy Corp	13p		−	−	−
14¼	916p	♥Amer. Barrick Res.	990p	−6	−	−	−
10p	2⅓p	American Lightway.	3½p	−½	−	−	−
47p	7½p	♥Armeno	9½p	..	−	−	−
76p	37p	Augmitto Expln.	47½p	....	−	−	−
14⅛	10¼	Bk. Montreal ‡	12½	−¼	$2.00	−	7.3
769p	514p	Bk. Nova Scot ‡	627p	−32	76c	−	5.5
18¼	15¼	BCE ‡	17¼	−½	$2.44	−	6.5
716p	553p	♥Bow Valley‡	553p	−43	40c	−	3.3
13⅛	10½	♥Brascan‡	11⅝	−⅛	88c	−	3.4
328p	183p	♥Breakwater Res.	200p	−1	10c	−	2.3
12⅛	801p	Can Imp Bank‡	10½	−¼	$1.16	−	5.0
11½	641p	Can. Pacific ‡	912p	−49	76c	−	1.8
41½	38½	Do. 4pc Deb $100	38½		4%	−	10.4
515p	362p	Central Capital "A" ‡	387p	−2	−	−	−
485p	378p	♥Corona Corp	410p	−1	−	−	−

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEASURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¤ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	71	.....
Craig & Rose £1 . γ	710	+10
Finlay Pkg 5p.... γ	86	......
Holt (Jos) 25p..... γ	£11¼	......

IRISH

Cap. 8½% Ln 1992....	£99¼	......
9pc Cap Ln. 1996..	£103¼	......
Fin. 13% 97/02...	£124¼	......
Arnotts..............γ	385	......
Carrol Inds..........γ	162	......
Grafton Grp ....γ	150	......
Hall (R. & H.)......	132	......
Hylton Hldgs...... γ	60	...
Irish Ropes..........γ	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	23
Gen Accident	71
GEC	13
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKB	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	13
Wellcome	42
Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54
Oils	
Brit Petroleum	21
Do. PP Paid	12
Burmah Oil	48
Calor	38
Charterhall	2½
Premier	3½
Shell	85
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

COMMODITIES AND AGRICULTURE

Glimmer of hope seen in Peruvian miners' dispute

By Veronica Baruffati in Lima

THERE is a glimmer of hope that the miners' strike in Peru may come to an end this week.

Representatives of the National Federation of Miners, Metallurgical and Steelworkers met on Monday with the president of the Supreme Court to discuss legal implications of the strike, now into its fourth week.

At the end of the meeting, Mr Moises Palomino, president of the miners' federation said that the strike would be ended if the Supreme Court accepted the miners' writ of relief and ordered the Ministry of Labour to negotiate their industry-wide demands.

The miners went on strike on October 17 in protest against the Government's failure to fulfil its obligation to discuss miners' national demands laid down at the end of the 29-day strike at the end of August.

It was the Government's decree recognising the miners' right to industry-wide claims that brought the last strike to an end.

The decree has remained a dead letter.

Thousands of miners have marched with their families to Lima in support of the federation's position.

Women and children can be seen begging on street corners for contributions towards the communal pot in makeshift campsites throughout the city.

Industry officials estimate that the two miners' strikes this year have already cost Peru's hard-pressed economy $250m in lost export revenue.

High prices prompt CRA to raise copper capacity

By Chris Sherwell in Sydney

CONFIDENCE that copper prices will remain strong in the long-term has prompted CRA to invest an estimated A$150m (£70m) to doubling the capacity of its smelter and refinery operation, the Australian resources group said yesterday.

The group, which is 49 per cent owned by RTZ of the UK, said the investment was based on a key judgment that prices had now emerged from their recent depressed period and would stay above historic levels of 80 US cents a lb (in current terms) for the next 20 years.

Under the redevelopment, the existing two-step smelting technology at CRA's Port Kembla plant south of Sydney will be replaced with a Noranda bath smelter which in one step converts copper concentrates to high-grade matte copper.

The group will also modernise its refinery operation and build a sulphuric acid plant.

Overall capacity will double to 80,000 tonnes of electrolytic copper per year, while the acid plant will produce 175,000 tonnes of sulphuric acid which will be available for use in the local fertiliser industry.

Construction is expected to start in March 1989, with production scheduled to come on stream in the second half of 1990.

The investment is unrelated to CRA's copper production in Papua New Guinea, where its Bougainville operation produces for nine-tenths of the group's total output for shipment directly to export markets in Europe, Japan and other parts of Asia.

Feed for Port Kembla comes from CRA's Cobar mine in New South Wales, which fills half the plant's current 40,000 tonnes per year capacity, and from scrap and other sources like fabricators and cable manufacturers.

Jute pact extended for two years

By K.K. Sharma in New Delhi

THE TENTH session of the International Jute Council ended in New Delhi yesterday after resolving to extend the current International Jute Agreement for two years, to January 1991. This is being done to prepare the ground for renegotiation of the second jute agreement before 1991.

Mr Harbans Singh, executive director of the International Jute Organisation, said at the end of the conference that it had made substantial progress in ironing out differences and arriving at common views among the major jute exporting and consuming countries.

Although Mr Singh did not say so, it is understood that the main differences are between Bangladesh on the one hand and India and other jute exporting countries on the other. Bangladesh is being accused of undercutting other exporters and forcing the international price of the commodity down.

Mr Singh said a major decision taken by the council related to approving the second phase of the $1.5m project for breeding improved varieties from East African stock. In addition, pre-project activities costing $50,000 on the use of jute in non-woven products were also authorised by the council.

India has indicated its intention of making a contribution to the pre-project activities. Switzerland has sanctioned $500,000 for the breeding project, matching the amount pledged by China at the last session of the council.

AWB reduces wheat estimate

THE AUSTRALIAN Wheat Board has lowered its forecast of the 1988-89 Australian wheat crop to 13.9m tonnes from 14.4m in late September, reports Reuter from Melbourne. The reduction follows recent hot and dry weather.

EC grain reforms remain in the balance

The US drought could be masking some future problems, writes Bridget Bloom

At their summit meeting last February European Community leaders agreed a series of measures designed to curb spending on the common agricultural policy, then taking nearly two thirds of the total EC budget. In a new series of articles, FT writers examine those measures sector by sector and assess how successful they are likely to be. Today's article looks at cereals. Largely thanks to the US drought which has pushed up world prices and saved the Community money on export subsidies, the budget this year is under control, but there are dangers ahead.

WITHIN THE next few weeks, the European Commission in Brussels is expected to announce figures for this year's grain harvest. Its conclusions will be of more than usual interest, for they could be a key factor in determining the success or failure of the Community's attempts to rein in farm spending.

Spending on cereals has been second only to the dairy sector in recent years: from Ecu 1.7bn in 1984 it rose dramatically to nearly Ecu 5bn (£3.3bn) last year, or nearly a fifth of the total farm budget of Ecu 27.5bn. The sector was one of the most difficult and politically contentious areas for negotiation at last February's summit, when EC leaders finally agreed a set of so-called budget stabilisers for each major commodity support regime in the common agricultural policy.

Whether Europe's harvest of wheat, maize, barley and other grains is 154m tonnes, as it was last year, or 164m tonnes, as it may be this year, matters today because the stabiliser agreed last February involves a threshold of 160m tonnes: once this is passed, reductions in farm-gate prices are triggered for the following season. This, EC ministers hope, will persuade farmers to plant less in future, thus imposing less of a burden on the total farm budget.

Opinions on whether the plan will work are mixed at this early stage, if only because the nub of the stabiliser bears on prices for *next* year's harvest, not *this* year's.

This year spending on cereal is running well below last year's, but that is almost entirely for the extraneous reason of the US drought. Some observers believe that, drought apart, the measures will be able to keep the budget within sensible limits. Others, however, believe that spending on cereals will not be curbed unless farmers are forced, by some sort of compulsory quota system, to produce less.

The EC has experienced a revolution in cereal production over the last decade which has turned it from one of the world's biggest importers of cereals to its second largest exporter. Yields have been stimulated by new varieties of grain and increasing use of fertilisers and pesticides on the back of the high support prices paid through the CAP.

The support system has *three key elements*. It provides a high price to the farmer through guaranteed "buying-in" prices for sales into publicly-financed "intervention" stores. This price is protected through high import tariffs on grain (though not on grain substitutes). Exported *surpluses fetch a hefty subsidy* (known as export restitution) to make them competitive on world markets.

On average, grain prices have been about 60 per cent above world prices in the past decade but this has shifted recently because of the US drought, which has driven up world market prices. Over the past few months, instead of having to pay export subsidies of around $120 a tonne, the EC is now paying about $60-70.

In the past export subsidies accounted for about 60 per cent of total EC spending on grains; this year it looks like being half that. The drought has also helped the EC reduce its stocks of grain; as demand has firmed, the EC grain mountain has fallen 20 per cent over the last year, from about 14m tonnes to 11m tonnes, and it may be down to 7m by next summer.

Last February's stabiliser agreement was in a sense the culmination of a series of attempts to curb cereal production, and thus spending. The concept of a production threshold triggering price reductions was not new: the Commission proposed such a system for the three years from 1982-83 but ministers failed to bite the bullet.

As production rose through the proposed threshold to a record 173m tonnes in 1984-85, the Commission, stymied by the *political disagreements* of their masters, imposed a small 1.8 per cent reduction in buying-in prices for the following season. The effect of this was anyway largely negated by compensatory price increases and currency adjustments.

Over the next two seasons, ministers agreed to rather more substantial cuts: in 1986-87 there was an effective reduction of 6 per cent in support levels, combined with a new 3 per cent tax on each tonne of cereals sold by the farmer, known as a co-responsibility levy.

In the 1987-88 season just ended the buying-in price was again reduced by 6 per cent. Additionally, the monthly increments – paid as the year procedes on grains bought into intervention – were lowered, making an effective reduction of 9.5 per cent.

Substantial though these cuts were – the British National Farmers' Union for example reckons they spelt a real decline in cereal farmers' prices of 14.7 per cent – they were not enough. Last February's accord was a marked watering down of the Commission's original proposals but it is the toughest agreement yet to be applied to the cereal sector.

The stabiliser has two essential elements. First, is the production threshold of 160m tonnes (the Commission originally proposed 155m tonnes). If this is breached this year, it will result next year (*i.e. 1988-89*) in price cuts of 3 per cent.

Second, is an additional 3 per cent co-responsibility levy which farmers are paying now but which they will get back if the harvest is under 160m tonnes. (If the harvest is between 160m tonnes and 164.3m tonnes they will be repaid on a pro-rata basis). There is additionally some further tightening of the increments. The stabiliser as a whole lasts until 1992-93.

How effective will the stabiliser be? Obviously much depends on the size of the harvest: current estimates vary between 162m and 165m tonnes, *so some small* reductions in farmers' returns seem probable this year through the co-responsibility levy and next year via a 3 per cent reduction in the buying-in price. Under the stabiliser, the maximum cumulative cuts in overall support would be 15 per cent over the four years.

The central question today is whether even this will be enough to persuade farmers to produce less and thus keep spending in control.

Optimists believe that – provided there are no record harvests, or no repeat of the US drought – the proposed cuts will be a major disincentive to production, particularly as they come on top of reductions suffered since 1984. The Commission estimates these at around 25 per cent for the whole cereals sector. Production could also be stabilised by "complementary" measures which the EC is introducing, such as land set-aside, where farmers are paid to take land out of cereals.

Against this, however, sceptics point to the longer term trend in EC cereal production, which has been for increases averaging 2 to 3 per cent a year; to the fact that harvests in the last two years have been low because of wet weather and may not be so again; and to the likelihood that the US drought will not be repeated. These factors all argue for higher world production next year, lower prices on the world market and, therefore, higher subsidies required for EC exports.

In addition, the sceptics suggest that European farmers are likely to be driven into increased cereal production next year because price cuts under the stabiliser for once-profitable oilseeds, like rape, are more stringent than those for cereals.

As one EC official put it, "if we do get anything like a record harvest in any of the next four years, that will blow the top off the stabiliser immediately."

That prospect greatly worries the Commission, which is well aware that the stabiliser cannot by its nature really begin to bite until next year, a year when the budget, quite fortuitously, looks like being under control because of the much lower export subsidy payments. Partly because the Commission throttled back on export subsidies in the late summer, the cereal budget, according to the Commission, is expected to total some Ecu 4.8bn for 1988 – out of a total farm budget of Ecu 26.4bn – and to be actually below that total next year.

The biggest fear of officials keen to see the stabilisers work is that ministers and farmers alike will see this year's good results as reason to relax the controls they so painstakingly agreed last February.

Report reveals leaders and laggards in gold production costs

THE WORLD'S lowest-cost gold mine is Sumitomo's Hishikari mine in Japan which currently produces the precious metal at a cash cost of only $30 a troy ounce, writes Kenneth Gooding.

At the other end of the scale, East Rand Proprietary in South Africa is the highest-cost producer with a cash cost of $581 an ounce.

This information is supplied by the Metals Economics Group in a report which also reveals that the average cash operating costs at the 246 primary gold mines currently in production in the non-Communist world have been rising steadily since 1985.

The biggest cost increases have occurred at the South African mines which have switched from being the lowest-cost group in 1985 to by far the most expensive.

Average costs at South African mines have risen from $231 an ounce in 1986 to $334 an ounce, according to the report.

"This trend is expected to continue in spite of the devalued rand. In addition to falling ore grades and ever deepening mines, the South African industry is contending with the growing strength of labour unions representing its black workforce," says Metals Economics.

Australia remains the lowest-cost gold mining country with an average of $211 an ounce compared with $197 in 1986. Costs in the US are averaging $223 for the 1987-88 period against $200 an ounce in 1986 while during the same period the costs for Canadian mines rose from $213 to $250 an ounce.

The least-costly Australian property is the Boddington mine, that country's biggest.

In the US the lowest-cost mine, according to Metals Economics, is Amax's Sleeper in Nevada which projects costs of $108 an ounce for 1988 versus only $74 in 1987.

Three of Canada's largest mines also have very low costs: Hemlo Gold's Golden Giant at $97 an ounce; Teck/Corona's David Bell, $110 and Placer Dome's Campbell, $125, all in Ontario.

**Metals Economics Group Strategic Report", bimonthly at $875 a year from Suite 804, 2000 Barrington Street, PO Box 2206, Halifax, Nova Scotia, B3J 3C4, Canada.*

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,100-2,160 (2,145-2,180).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.75-6.00 (5.75-5.95).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 6.10-6.60 (5.50-6.50), sticks 6.10-6.60 (5.50-6.50).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.00-7.35 (7.00-7.25).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 290-310 (300-320).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.48-3.52 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.20-9.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55.00-62.00 (55.50-62.00).

VANADIUM: European free market, min. 98 per cent, VO, cif, 5.90-6.20 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE metal prices were generally higher on the LME yesterday. Copper prices closed at the day's highs after a sharp rally on Comex prompted an afternoon surge in London. Traders said the tone was also boosted by expectations of a further fall in LME warehouse stocks. Tightness of nearby supply pushed zinc prices ahead once more, while the nickel market appeared to have been somewhat oversold on Monday, when cash metal *fell by $1,000 a tonne. Three-month* nickel closed at $11,050 a tonne or just over $5 a lb – a level which the market now seems likely to maintain, traders said. Aluminium prices advanced in morning trading on covering against European consumer demand. Traders appear to be waiting to see if this year's expansion in production has finally overtaken demand and is causing stocks to build.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.54-0.64x	-0.21
Brent Blend	$12.55-2.65	-0.15
W.T.I. (1 pm est)	$13.82-3.85x	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	+2
Gas Oil	$124-126	
Heavy Fuel Oil	$60-61	-0.5
Naphtha	$129-131	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$418.50	-2.50
Silver (per troy oz)♣	640c	-5
Platinum (per troy oz)	$574.50	-4.75
Palladium (per troy oz)	$125.00	
Aluminium (free market)	$2560	+85
Copper (US Producer)	153-156⅝c	-5⅛
Lead (US Producer)	40¼c	
Nickel (free market)	540c	-30
Tin (European free market)	£4195	-2.5
Tin (Kuala Lumpur market)	19.67r	
Tin (New York)	343.5c	
Zinc (Euro. Prod. Price)	$1475	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	112.63p	+2.54*
Sheep (dead weight)†	175.03p	+13.1*
Pigs (live weight)†	77.03p	+5.00*
London daily sugar (raw)	$271.4w	
London daily sugar (white)	$275.5w	-0.5
Tate and Lyle export price	£261.5	-1.5
Barley (English feed)	£108	
Maize (US No. 3 yellow)	£125.5	
Wheat (US Dark Northern)	£117.5w	
Rubber (spot)♥	54.75p	-0.25
Rubber (Dec)♥	81.75p	-0.25
Rubber (Jan) ♥	62.25p	-0.25
Rubber (KL RSS No 1 Dec)	281.5m	
Coconut oil (Philippines)§	$685q	
Palm Oil (Malaysian)§	$417.5	-2.5
Copra (Philippines)§	$390z	+20
Soyabeans (US)	$100	-1
Cotton "A" Index	58.60c	
Wooltops (64s Super)	630p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Oct. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. q-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	853	852	858 841
Mar	854	845	862 843
May	850	845	857 837
Jul	852	842	858 844
Sep	856	854	854 852
Dec	886	888	895 862
Mar	905	903	915 900

Turnover: 8521 *(7924)* lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Nov 8: 1078.42 (1071.33); 10 day average for Nov 9: 1024.07 (1018.60).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1078	1062	1090 1078
Jan	1096	1102	1109 1095
Mar	1104	1115	1113 1100
May	1104	1113	1117 1102
Jly	1110	1118	1124 1110
Sep	1125	1124	1125 1125
Nov	1128	1125	1125 1124

Turnover: 2006 (785) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Nov 7: Comp. daily 113.92 (112.82); . 15 day average 113.59 (113.57).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	238.00	241.00	239.00
Mar	229.20	230.40	233.60 228.60
May	223.40	224.60	226.00 223.20
Aug	219.00	220.40	222.20 220.00
Oct	219.40	217.00	219.60 216.00
White	**Close**	**Previous**	**High/Low**
Dec	274.00	278.00	270.00
Mar	261.00	263.00	264.50 258.00
May	257.50		259.50 257.00
Aug	256.50		259.80
Oct	255.00	257.00	257.00

Turnover: Raw 1238 (2088) lots of 50 tonnes. White 804 (784).

Paris- White (FFr per tonne): Dec 1695, Mar 1610, May 1584, Aug 1585, Oct 1575, Dec 1575

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	122.25	124.75	124.25 122.00
Dec	121.50	124.25	124.00 121.25
Jan	120.75	122.75	122.50 120.25
Feb	119.75	121.00	121.00 119.00
Mar	116.50	119.00	117.00 116.00
Apr	114.25	116.25	114.75 114.25
May	113.25	115.00	114.75 113.25
Jun	114.25		114.50 114.25
Jul	113.75		113.75

Turnover 6797 (5911) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	108.60	108.30	108.60 108.00
Jan	111.85	111.65	111.85 111.40
Mar	115.05	114.85	115.05 114.85
May	118.10	117.80	118.10 118.00
Jun	119.60		119.60 119.45
Sep	102.80		102.80
Nov	105.10		105.20 105.00
Barley	**Close**	**Previous**	**High/Low**
Nov	104.40	104.15	104.40 104.15
Jan	107.65	107.65	107.75 107.60
Mar	110.95	110.85	111.00 110.85
May	112.60	112.50	112.60

Turnover: Wheat 167 (46), Barley 168 (85). Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,750 tonne
Cash	2530-40	2485-95		2555-65		
3 months	2395-400	2340-5	2425/2370	2408-12	2424-5	18,135 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 3,000 tonne
Cash	1415-25	1400-5	1420	1420-1		
Dec. 21	1340-50	1315-25		1345-50	1340-50	23,374 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,600 tonne
Cash	1849-50	1794-8	1825/1824	1824-5		
3 months	1652-3	1612-3	1653/1619	1634-5	1652-3	68,791 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1760-70	1690-710		1740-60		
Jan. 4	1690-710	1635-55		1680-700		33 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	635-8	642-5		646-7		
3 months	648-51	654-7		659-60		432 lots
Lead (£ per tonne)						Ring turnover 7,725 tonne
Cash	376-7	373-4	375.5	275.5-6		
3 months	375.5-7	373.5-4	377/374	374.5-5	376-8	11,090 lots
Nickel ($ per tonne)						Ring turnover 1,482 tonne
Cash	12150-200	11400-500	12200/11700	11750-800		
3 months	11000-100	10550-650	11100/10700	10875-900	10950-1000	5,875 lots
Zinc ($ per tonne)						Ring turnover 16,350 tonne
Cash	1505-10	1475-80	1515	1515-6		
3 months	1415-6	1385-90	1420/1385	1414-6	1418-5	13,875 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	45.0	49.0	41.0
Feb	69.0		69.0
Apr	94.0	94.1	96.0 94.5
May	106.2	105.5	106.3 106.0
Nov	85.0	84.0	84.0

Turnover 174 (180) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	172.00		172.50
Feb	179.00	177.00	179.00 178.50
Apr	178.00	175.00	178.00

Turnover 195 (35) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Nov	1467	1457	1470 1460
Dec	1491	1479	1491 1485
Jan	1505	1494	1505 1495
Apr	1540	1538	1543 1534
Jul	1350	1338	1350 1349
BFI	1415	1410	

Turnover 145 (257)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	418¼-418¾	236½-237
Opening	422-422½	237-237½
Morning fix	421.85	237.154
Afternoon fix	418.35	236.156
Day's high	422½-423	
Day's low	417½-418	
Coins	**$ price**	**£ equivalent**
Mapleleaf	430-435	243-246
Britannia	430-435	243-246
US Eagle	430-435	243-246
Angel	429-434	242½-245½
Krugerrand	418-421	236¼-238¼
New Sov.	99-100	56-56¼
Old Sov.	99-100	56-56¼
Noble Plat	591.20-597.50	333.25-336.80
Silver fix	**p/fine oz**	**US cts equiv**
Spot	364.05	647.90
3 months	374.85	661.90
6 months	385.65	675.90
12 months	407.15	705.05

JUTE

November/December 1988 c and f Dundee BTC $470, BWC $485, BTD $425, BWD $445; c and f Antwerp BTC $455, BWC $445, BWD $405, BTD $413.

COTTON

Liverpool- Spot and shipment sales for the week ended November 4 amounted to 609 tonnes against 585 tonnes in the previous week. Business improved with interest *mainly in American styles.*

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2300	212	214	60	185
2400	157	171	122	239
2500	112	136	176	301
Copper (Grade A)	**Calls**		**Puts**	
2700	385	290	80	250
2900	263	209	185	262
3100	171	148	272	496

US MARKETS

TRADING ACTIVITY was subdued in most commodity markets as the U.S. elections took place, *reports Drexel* Burnham Lambert. Gold, silver and platinum prices all were lower due mostly to a recovery in the dollar. A weak crude oil market also prevented *any rally in the metals. Copper* regained momentum as prices rose 340 points in December as a technical rally eased yesterdays decline. In the soft commodities, sugar and cocoa markets had quiet sessions. Coffee futures lost 115 in the December as trade groups were the days featured sellers. Open interest fell 1000 in the December on Monday. Most of the grain markets edged higher as Soviet buying is still being noted. Soyabeans and wheat posted the days biggest advances as each gained over 7 cents. Cotton prices fell over 75 points as speculative and hedge figures indicated longs in the market. In the energy markets, bearish sentiment caused by Saudi overproduction and concern that the UAE may not cut production helped move crude oil prices lower. A weak close in the previous session also helped push prices below technical support levels.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	419.1	422.8	420.0	420.0
Dec	421.2	424.7	424.3	419.5
Jan	423.7	427.3	0	0
Feb	426.3	429.9	429.1	425.0
Apr	431.5	435.1	434.5	430.2
Jun	436.8	440.4	440.0	436.8
Aug	442.5	446.1	0	0
Oct	448.2	451.8	0	0
Dec	453.8	457.4	455.0	453.0

PLATINUM 00 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	573.0	587.8	587.5	569.0
Apr	570.3	584.2	584.0	566.0
Jul	572.3	586.2	584.0	574.5
Oct	575.8	589.7	587.5	574.0
Jan	580.8	594.7	591.0	591.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	639.3	649.0	640.0	640.0
Dec	642.5	653.0	653.0	640.5
Jan	647.3	657.9	649.8	649.5
Mar	657.8	668.2	668.2	656.0
May	667.6	678.2	679.0	668.0
Jul	678.0	688.8	689.0	674.0
Sep	688.1	698.7	690.0	690.0
Dec	703.6	714.2	713.0	702.0
Jan	708.9	719.2	0	0
Mar	720.2	730.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	148.80	145.85	149.00	149.00
Dec	142.30	138.90	144.00	140.30
Jan	134.90	131.80	0	0
Mar	119.10	116.80	120.35	118.00
May	111.30	109.70	112.30	110.30
Jul	108.30	107.20	110.00	107.50
Sep	105.30	104.20	106.75	106.75
Dec	102.50	101.20	102.80	102.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	13.75	14.06	13.88	13.78
Jan	13.69	13.91	13.75	13.67
Feb	13.69	13.91	13.74	13.67
Mar	13.75	13.93	13.79	13.74
Apr	13.80	13.97	13.83	13.80
May	13.86	14.01	13.86	13.85
Jun	13.90	14.05	13.92	13.86
Jul	13.94	14.09	13.98	13.90
Aug	14.05	14.13	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4335	4413	4380	4320
Jan	4315	4402	4370	4305
Feb	4240	4317	4290	4235
Mar	4055	4117	4100	4055
Apr	3880	3927	3915	3880
May	3800	3817	3805	3780
Jun	3775	3767	3790	3740
Jul	3780	3767	3770	3760
Aug	3830	3817	3830	3830

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1400	1385	1405	1387
Mar	1411	1408	1417	1399
May	1410	1400	1414	1397
Jul	1416	1404	1416	1401
Sep	1423	1419	1412	1412
Dec	1440	1440	1440	1430
Mar	1460	1452	1479	1465

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	126.10	127.25	127.75	126.00
Mar	126.18	126.58	127.15	126.05
May	125.93	126.01	126.50	125.80
Jul	124.76	125.48	125.75	125.50
Sep	124.25	125.60	125.80	125.80
Dec	125.01	124.26	0	0
Mar	123.60	124.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	9.80	9.90	9.80	9.80
Mar	10.11	10.19	10.32	10.10
May	9.87	9.96	10.05	9.85
Jul	9.71	9.79	9.87	9.70
Oct	9.56	9.65	9.75	9.55
Jan	8.79	8.65	8.75	8.75
Mar	9.25	9.42	9.36	9.25

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	54.96	55.78	55.75	54.94
Mar	55.40	56.10	56.10	55.40
May	55.60	56.33	56.25	55.60
Jul	55.75	56.47	56.20	55.75
Oct	55.45	55.90	56.45	55.55
Dec	55.56	56.12	56.30	55.57
Mar	55.90	56.35	55.90	55.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	186.45	186.35	186.00	185.00
Jan	174.25	174.70	174.60	173.80
Mar	172.35	172.30	172.35	171.60
May	171.30	171.60	171.25	171.00
Jul	170.30	171.60	170.30	170.25
Sep	165.35	165.45	165.75	165.25
Nov	163.30	163.95	163.10	163.10
Jan	161.25	161.86	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 7	Nov 4	mnth ago	yr ago
1871.3	1883.5	1864.0	1860.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	136.24	136.36	132.29	126.51
Futures	139.20	139.47	136.72	129.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	796/2	788/4	796/4	786/0
Jan	809/2	801/2	809/6	798/0
Mar	818/2	810/4	820/0	807/4
May	819/0	809/6	820/0	808/0
Jul	817/2	807/4	818/0	806/4
Aug	807/0	797/4	807/0	798/0
Sep	764/4	760/4	767/0	761/0
Nov	738/4	734/0	739/4	733/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	22.93	22.63	22.98	22.53
Jan	23.18	22.93	23.25	22.83
Mar	23.71	23.42	23.75	23.32
May	24.19	23.90	24.20	23.80
Jul	24.60	24.25	24.65	24.15
Aug	24.65	24.26	24.65	24.25
Sep	24.70	24.40	24.70	24.35
Oct	24.80	24.52	24.80	24.70
Dec	24.80	24.50	24.60	24.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	265.2	265.3	266.0	262.3
Jan	264.9	265.5	266.1	262.5
Mar	262.7	263.5	264.0	260.0
May	257.5	261.0	259.0	255.6
Jul	252.2	258.1	254.0	250.0
Aug	246.0	250.0	248.0	246.0
Sep	239.0	245.7	240.0	235.7
Oct	228.5	231.7	229.0	228.0
Dec	223.5	226.0	225.0	220.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	278/6	278/6	279/2	274/6
Mar	285/2	284/0	285/4	281/2
May	288/6	287/6	288/6	284/6
Jul	288/6	288/0	289/0	284/6
Sep	272/0	270/0	272/0	268/6
Dec	262/2	260/0	262/4	259/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	428/2	419/0	427/0	418/2
Mar	431/4	425/6	433/0	425/0
May	409/6	404/4	409/6	405/0
Jul	380/6	377/6	381/4	377/4
Sep	385/0	382/0	385/4	383/4
Dec	393/4	391/2	393/4	393/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.62	73.60	73.97	73.65
Feb	73.75	73.37	73.85	73.55
Apr	75.37	75.05	75.42	75.20
Jun	73.72	73.65	73.77	73.50
Aug	71.12	71.02	71.25	71.02
Sep	70.75	70.75	0	0
Oct	70.30	70.20	70.40	70.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.00	42.12	42.35	41.85
Feb	45.77	45.77	46.05	45.60
Apr	43.87	44.00	44.25	43.85
Jun	48.67	48.70	49.00	48.65
Jul	49.20	49.15	49.30	48.85
Aug	48.05	47.70	48.40	48.05
Oct	44.85	44.86	45.10	44.95
Dec	46.60	46.85	46.97	46.30

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	45.95	46.12	46.70	45.90
Mar	46.47	46.70	47.20	46.45
May	48.30	48.47	48.90	48.20
Jul	49.45	49.55	50.15	49.40
Aug	48.37	48.40	49.05	48.35

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

GERMANY

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices November 8

Quotations in cents unless marked $.

[illegible]

‡ No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

MONTREAL Portfolio [illegible]

NEW YORK ACTIVE STOCKS

[illegible]

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. [illegible]

[illegible]

**Saturday Nov. 5: Japan Nikkei 28,046.75 and TSE 2,145.05

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Tuesday 8 November 1988

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices November 8

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR	.44	1.8	16	61	24½	24½	24½	+ ⅛
10⅛	9	ACM n				68	9½	9⅜	9⅜	– ⅛
12⅞	10⅞	ACMIn	1.26a	11.		249	11½	11⅜	11⅜	
16⅛	10	ACM M n				228	10⅛	10	10	
12⅞	10⅝	ACMSc	n1.26	11.		408	11	10⅞	11	
16⅛	8⅞	ACMSp	n1.01	11.		235	9⅛	9	9⅛	
2⅞	2⅛	AMCA	.12e	6.2		x10	3⅛	3⅛	3⅛	+ ⅛
6⅞	3⅞	AM Intl				605	5	4⅞	5	+ ⅛
28⅛	18⅞	AM Int pf	2	9.2		11	21⅝	21½	21⅝	+ ½
51¼	26¾	AMR			8	1803	48⅞	48	48¼	+ ⅝
27	23	ANR pf	2.67	10.		6	25½	25½	25½	
9½	2⅛	ARX			10	30	6	5⅞	5⅞	– ⅛
58⅞	36¼	ASA	3a	7.4		625	40⅞	40⅛	40½	– ⅝
29⅛	11	AVX	.12e	.7	12	155	17½	17½	17½	
52⅞	42¼	AbtLab	1.20	2.6	15	1573	46⅞	46⅛	46½	– ⅛
21⅞	15⅛	Abitibi g	1			46	16½	16⅛	16½	
13⅞	8⅞	AcmeC	.40	4.7		416	8½	8⅜	8½	
8⅞	6⅛	AcmeE	.32b	5.1	27	48	6¼	6⅛	6¼	+ ⅛
29½	12¾	Acuson			21	712	22¾	22¼	22¼	– ⅛
17⅞	14⅛	AdaEx	3.05e	18.		105	16¾	16⅝	16¾	+ ⅛
16⅞	7½	AMD			18	670	8¾	8½	8¾	+ ¼
43½	29¼	AMD pf	3	9.3		4	32½	32¼	32¼	– ¼
8½	4⅞	Adobe				15	7	6⅞	7	
18½	16¾	Adob pf	1.84	11		7	17½	17⅛	17⅛	+ ⅛
9¼	6⅞	Advest	.12	1.8	21	140	6⅞	6⅝	6⅝	
52½	39½	AetnLf	2.76	5.7	8	1586	48⅞	48⅛	48⅛	– ⅛
34¼	18½	AflPb s	.20	.7		327	29⅝	29⅛	29⅛	+ ⅛
18⅝	13	Ahmans	.88	5.3	18	x1579	16⅞	16½	16½	
4⅝	1⅞	Aileen				19	3⅛	3⅛	3⅛	
53⅞	36⅝	AirPrd	1.20	2.9	18	927	41¼	40⅞	40⅞	– ⅛
19⅞	11⅛	AirbFrt	.60	3.2	19	277	18⅞	18½	18⅞	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59¾	39⅝	Yorkin			14	28	51⅝	51⅛	51⅛	
3⅞	2⅛	Zapata				229	2⅝	2½	2⅝	
27⅞	13½	Zayre	.40	1.5	17	806	26⅞	26⅜	26⅜	−⅛
18½	8⅝	Zemex	.40	2.8	13	13	14⅜	14⅜	14⅜	−⅛
30	12	ZenithE				306	19⅜	19⅝	19⅝	+⅛
10⅜	9⅞	Zenin g .49e		4.9		318	10⅛	10	10	−⅛
4⅝	1	vjZenLb				136	2⅛	2	2	−⅛
21⅞	13⅛	ZenNtl	.80b	4.6	8	18	17⅜	17	17¼	+⅛
17¾	11⅜	Zero	.44	2.5	18	325	17⅜	16⅞	17⅜	+⅛
20	15½	Zurnin	.60	2.5	15	153	26¼	26	26	
11⅛	6	Zweig	1.04	10.		279	10½	10⅜	10⅜	
10⅛	9⅛	ZweigT	n.06e	.6		467	10	9⅞	9⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 8

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 8

AMERICA

Dow rally whittled away in wait for election results

Wall Street

EARLY trading saw equities move modestly higher yesterday as Americans went to the polls, but shares then slipped back while traders waited for the results of the presidential election, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average stood just 5.87 points higher at 2,130.51 on sluggish volume of 86m shares by midsession.

Analysts had expected gains in the market yesterday after the sharp drop of more than 20 points on Monday, prompted by pre-election nerves. There had also been worries about last Friday's employment report, which showed considerable strength in the economy in spite of the various tightening moves by the US Federal Reserve throughout this year.

Although Wall Street favoured and expected a victory by Vice President George Bush, concerns that the Fed might have to tighten policy again or at least delay for the foreseeable future easier interest rates could continue to undermine confidence in the equity market.

This has been a year marked by an eery calm on international policy, as Group of Seven central banks and finance ministers have co-operated closely to ensure stability in financial markets.

The G7 has spent considerable reserves propping up the dollar recently in an effort that many commentators believe has had as much to do with getting Mr Bush elected as pursuing the goals of international policy co-operation on the monetary front.

There is now concern that the domestic policy priorities of G7 members, submerged in aid of a united front before the US election, may now re-emerge and many economists expect a much more volatile time, at least in the foreign exchange market.

The equity market will remain nervous about the current bout of highly leveraged buy-out proposals, particularly in view of noises from the administration about the financing of these deals.

There was yet another development in the battle for RJR Nabisco when a special committee of the board said it was throwing open the bidding and set a deadline of the end of next week for all suitors to submit offers. RJR added $¼ to $87⅝ by midsession.

Union Carbide jumped $⅞ to $27 on a flurry of rumours surrounding the future of the company which sparked heavy trading. Speculation suggested that the company may spin off one of its three divisions, might be near reaching a settlement over the Bhopal chemical plant disaster case or could be the subject of a $35-a-share takeover bid. The company declined to comment.

Sears, Roebuck, the retailer, continued to come under selling pressure on disappointment that the company has opted for a restructuring rather than for a takeover. The company's stock had rallied considerably in recent weeks on bid speculation, but yesterday had dropped $1⅜ to $42⅜ by midsession.

Pillsbury dropped $⅝ to $58⅝ after a Delaware court upheld its poison pill takeover defence. Grand Metropolitan had asked the court to reconsider its decision following Pillsbury's announcement of plans to spin off Burger King, but, after yesterday's ruling, still cannot buy any Pillsbury shares under its $60-a-share offer.

Limited, rising $⅜ to $26½, announced net income of 39 cents a share in the third quarter compared with 36 cents a year earlier.

Canada

GAINS on Wall Street prompted a rise in Toronto following its 75-point drop on Monday. Trading was mixed, with a weaker bullion price tipping gold stocks lower.

The composite index rose 11.3 to 3,272.1. Horsham, which said on Monday it would issue 9m subordinate voting shares in private placements at C$5¼ a share, gained C$1⅛ to C$7⅛.

Swiss share confusion adds scope for gain

By Hilary de Boerr

THE differentiation between bearer shares and participation certificates on the Swiss equity market, condemned for restricting investors' voting rights, could be good news in terms of improved returns.

There tend to be upper and lower limits to the premium at which bearer shares trade against the PCs – and several brokers recommend that international investors switch between the two at the apposite time to enhance profits.

Each listed Swiss company can offer several types of shares, and choose the combination it prefers. Registered shares, which offer full voting rights and usually represent most of a company's equity, are restricted to the domestic investor. Bearer shares offer voting rights and are bought by both foreign and domestic investors, while participation certificates have no voting rights.

Bearer shares tend to trade at a premium to both registered shares and PCs, because of the availability and the vote. However, if the investor is not concerned about having voting rights, there is money to be made.

Ms Marina Tzamouranis, Swiss analyst at Barclays de Zoete Wedd, says there is little value in the voting right, even though investors are willing to pay a premium as high as 80 per cent for it.

"Voting rights in practice mean very little in Switzerland because you're not going to have much say over what the company decides to do. Takeovers are so rare that it's not very likely you'll have to decide the fortunes of the company with your vote," she says.

Ciba-Geigy, the chemicals group, is perhaps the best stock to use as an example of whether and when to switch, since its bearers and PCs have the same par value, making it easier to calculate the premium one pays for a vote. Its bearers have been moving post-crash at a premium to PCs of up to 81 per cent and stand now at about 57 per cent, says Kleinwort Benson Securities. It recommends investors hold the bearers, "however tempting it might be to switch back to PCs," as the premium could well climb further.

Other switching candidates include lift manufacturer Schindler, chemicals company Sandoz and engineering group Brown Boveri. Bearers in the latter are currently trading at a premium of 53.7 per cent to the PCs, the second highest level seen in the past 10 years, according to Mr Max Elvidge, assistant European sales manager at Kleinwort.

He recommends moving into Brown Boveri PCs and says: "There are often very few things to excite in the Swiss market. These are the sort of events that do make it rather exciting from time to time."

EUROPE

Optimism over Bush win helps push bourses higher

THE MAIN European markets ended higher amid growing optimism over the outcome of the US election, *writes Our Markets Staff.*

FRANKFURT advanced sharply in busy trading on the increased likelihood of a victory for Mr George Bush in the US presidential election. The market's positive mood was also boosted by news of the West German cabinet's approval of the plan by carmaker Daimler to take a 30 per cent stake in aerospace group MBB. At mid-session the FAZ was 4.87 higher at 530.63, while the DAX index closed up 16.75 at 1,287.88.

Trading in Daimler – up DM16 at DM760.50 – dominated the market and demand for the stock set the tone for the day. It is now generally accepted in Frankfurt, said a London dealer, that Daimler will eventually take full control of MBB to create Europe's second largest defence and aerospace group.

Insurer Allianz, up DM13 at DM1,706, attracted interest on reports it had agreed to take a 5 per cent stake in Spain's Banco Popular in return for permission to market its insurance products through the bank's branch network. One analyst said it would be "very good news for Allianz" if such a deal had been concluded.

Steel stocks were in demand after this week's study by Commerzbank saying prospects for the steel industry in the coming year were good, judging by the fast growth of new orders and capital goods sales. Mannesmann added DM5.80 to DM186.50, Thyssen firmed DM4.40 to DM175.00 and Hoesch put on DM2.00 to DM166.50, the latter despite admitting that a subsidiary had lost up to DM9m in futures trading.

PARIS moved steadily higher, helped in afternoon trading by the firm opening on Wall Street, with a few stocks again providing the interest.

Privatised bank CCF was the most active stock, climbing FFr5.40 to FFr169.90 with 334,000 shares traded. There were rumours that Japanese shareholder Taiyo Life might be adding to its 5 per cent stake and that Italian bank San Paolo de Torino could be doing the same with its 1 per cent holding.

Car components maker Epeda was busy on being requoted after a long suspension, during which two competing bids were launched. The stock raced ahead, adding FFr295, or 32 per cent, to FFr1,225. Hostile bidder Valeo, which said on Monday that it would not increase its bid to top that offered by a management buy-out team, was also active, climbing FFr26 to FFr650 with about 111,100 shares changing hands. There was some relief in the market at the decision to bow out, and investors were calculating the capital gain Valeo would make on its Epeda stake, analysts said.

The CAC General index opened 3.3 lower at 393.3 and the OMF 50 index was up 2.23 at 412.65. Volumes were estimated to be higher than Monday's FFr1.5bn worth of shares.

MILAN recovered from early selling to close a few points better on average turnover. "With little impetus from the domestic side all eyes were on the US election," said one dealer. By the close the Comit index had gained 0.99 to 589.51.

Most leading stocks took their cue from Generali, which advanced L350 to L42,990 on heavy buying. Banks were particularly favoured, with Mediobanca up L350 at L20,000.

STOCKHOLM advanced in late, lively trading as the uncertainty surrounding the US election faded. The Affärsvärlden index rose 2.7 to 964.6.

Carmaker Volvo and pharmaceutical Pharmacia were heavily traded amid talk that the former might increase its stake in the latter. Volvo was steady at SKr344 and Pharmacia, which has also received encouraging press reports on its latest product lines, gained SKr3 to SKr180.

BRUSSELS moved a little higher in quiet trading as investors hung back.

Vieille Montagne, the zinc smelter, was unchanged at BFr12,000. Société Générale, the country's largest company, has bought 40 per cent of Vieille Montagne, adding to the 50 per cent it already owned through its subsidiary, Union Minière.

Restructuring moves by La Générale left other subsidiaries' shares higher. Arms maker FN rose BFr26 to BFr1,128 and CMB, the shipping line, added BFr100 to BFr15,100.

AMSTERDAM was another market expecting a Bush win, and hopes of a stronger dollar on the back of a Republican victory helped Dutch blue chips close at the day's highs. The CBS index ended the session up 1.3 at 101.1.

ZURICH opened weakly on low volumes, but picked up in afternoon trading as investors noticed the strength in Frankfurt. The Crédit Suisse index put on 1.1 to 498.1.

Cement group Holderbank, which on Monday forecast record profits this year, was steady at SFr5,380. Bearers in Brown Boveri jumped SFr75, or 2.8 per cent, to SFr2,790.

SOUTH AFRICA

GOLD issues in Johannesburg closed mixed yesterday.

Vaal Reefs was unmoved at R283, Randfontein picked up R2 to R272 and Freegold and Kinross each added 25 cents to R34 and R36 respectively.

Ofsil lost R1.25 to R84.75, Driefontein fell 40 cents to R36.50, while Leslie and Bracken both shed 5 cents to R2.90 each.

Diamond stock De Beers slipped 15 cents to R45, while other minings, mining financials and industrial issues were mixed.

ASIA PACIFIC

Demand for high-technology issues triggers confident Nikkei advance

Tokyo

THE MOOD in Japan was positive in the run-up to the US presidential election, as the market's initial weakness gave way to strong afternoon buying activity which pushed share prices higher, *writes Michiyo Nakamoto in Tokyo.*

After dropping further from Monday's close in morning trading, the Nikkei average surged 140.91 to end the session at 28,007.27. The high of the day was at 28,008.15 and the low was at 27,767.43. Issues that rose led those that fell by 468 to 379 and 181 issues remained unchanged.

Turnover was modestly higher at 891.10m shares compared with 866.76m on Monday. The TOPIX index of all listed issues also rose 16.29 points to 2,145.73. Japanese shares traded in London continued to rise, with the ISE/Nikkei 50 index adding 3.62 points to 1,757.65.

There was a slight bullish feeling before yesterday's US presidential election, analysts said. Sentiment was boosted by the feeling that once the election is over, a key source of uncertainty within the market will have been removed.

The positive mood was further helped by a comment made by one of the leading brokerage houses that, whoever wins the election, the dollar is still likely to weaken slightly. A fall in Japanese interest rates and the strength of the yen against the dollar during the day reinforced the brighter outlook.

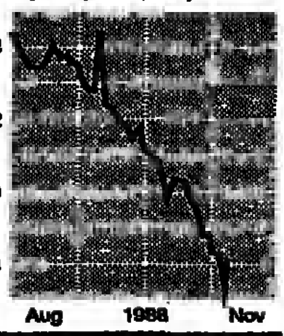
The upward trend was initially triggered by buying of high-technology issues, which have largely been neglected recently. High-tech issues had fallen substantially from their peak prices, but the growing belief that Mr George Bush is likely to win the election helped inject a measure of confidence into these export-dependent companies.

Sony advanced Y230 to Y5,960 and Matsushita rose Y90 to Y2,190. Hitachi added Y60 to Y1,470 while Toshiba increased Y33 to Y996. Fujitsu rose Y90 to Y1,460 and NEC gained Y40 to Y1,790.

The fresh demand for high-technology stocks came just as Nippon Telegraph and Telephone, which had incurred heavy losses since Monday, began to show signs of making a rally. NTT, which plunged to a new year's low in morning trading after it was revealed on Monday that the secretary to the chairman of the company had received pre-registration shares of Recruit Cosmos and sold them for a huge profit, managed to recover significantly.

NTT

Share price (million Yen)



The stock was helped by a comment made by Mr Kiichi Miyazawa, the Minister of Finance, that NTT is likely to recover soon. Considerable support also came from the utility sector, which saw healthy gains yesterday. The stock closed up Y80,000 at Y1.81m.

Investors also selected utility stocks yesterday. Among them were Tokyo Electric Power, which gained Y210 to Y6,590. Tokyo Gas added Y30 to Y1,490 and Kansai Electric Power rose Y150 to Y3,830.

KDD, the company that has a monopoly in Japan over international telecommunications, increased Y1,200 to Y23,000. The strength of domestic utilities stemmed mainly from lower interest rates and the advance of the yen against the dollar.

Oil companies gained on continuing expectations that the restructuring of the industry, beginning with the lifting of restrictions on the construction of gas stations, will prove to be of benefit to their businesses. Refiners are already finding alternative uses for their petrol stations, such as convenience stores, and this has helped boost both their image and their sales. Nippon Oil rose Y40 to Y1,490 and Mitsubishi Oil gained Y60 to Y1,490. Showa Shell Sekiyu added Y20 to Y1,620.

The most heavily traded stocks were Kobe Steel at 54.2m shares and Nippon Steel at 50.2m shares, although both fell amid the trend away from large capital steels that became evident in Monday's trading. Kobe Steel closed Y6 lower at Y749 while Nippon Steel lost Y12 to Y878.

Mitsui Mining and Smelting, featured as a property asset stock, rose initially to a year's high of Y748, up Y23 on the day. The company's plan to redevelop a plant site in metropolitan Tokyo, and the rising prices of non-ferrous metals and of its superconductor and rare-earth projects were behind the stock's gain. By the close, however, Mitsui Mining and Smelting had dropped back to Y734, up Y9 on turnover of 38.8m shares.

In Osaka share prices declined for the fifth consecutive day. The OSE average closed down 4.77 at 25,490.64. Kansai Electric Power added Y60 to Y3,800.

Roundup

CAUTION was the watchword in the Asia Pacific markets on the day of the US presidential election, but both Australia and Hong Kong reported modest gains, although the latter was forced to close early because of a fire in the trading hall. Singapore was closed for a holiday.

AUSTRALIA shrugged off the weakness of overseas markets as good demand for futures and underlying equities helped shares higher on average turnover, although trading remained cautious on US election day. By the close the All Ordinaries index was 4.7 higher at 1,562.7.

After a spate of early selling, leading industrials rallied strongly on good buying support, with retailer Coles Myer returning a 30 cent rise to A$10.30.

However, BTR Nylex fell back sharply, finally closing 24 cents down at $A8.76 on news that the company is raising A$540m through the issue of 60m convertible notes. The money will help pay for BTR's acquisition of New Zealand group Feltrax, said dealers in London.

Bond Media dropped 2 cents to 48 cents after it was rumoured that entrepreneur Mr Alan Bond was putting his stake in the company of almost 50 per cent up for sale. Other Bond-related stocks fared better, with Elders IXL up 1 cent at A$2.86 and Bell Resources picking up 5 cents to A$1.35.

Banks were in strong demand, with National Australia rising 6 cents to A$6.60 and Westpac gaining 2 cents to A$5.72, while ANZ was unchanged at A$5.46.

Mining stocks were also firmer across the board, with CRA up 12 cents at A$8.90 ex-dividend, Comalco 8 cents higher at A$4.48 and Boulder Gold 5 cents better at A$1.65.

HONG KONG came to an abrupt halt yesterday afternoon, when a small electrical fire in the exchange forced a suspension of trading 20 minutes before the official close, *writes Michael Murray in Hong Kong.*

Computer systems were shut down as staff and floor traders evacuated the smoke-filled trading hall without panic or injuries. Trading was expected to resume as normal this morning, and exchange officials said that there was no loss of data, nor damage to equipment or facilities.

The fire interrupted a modest rally, as investors following Tokyo's lead pushed prices higher in spite of caution before the US presidential election.

The Hang Seng index closed 20 points up at 2,587.02. However, turnover remained low, reaching only HK$277.7m before lunch and HK$403.6m at the time trading was suspended, compared with HK$447.4m on Monday.

Hong Kong Telecommunications held steady at HK$5.20 following the announcement that it is to offer up to 7.1 per cent of its stock for sale next month.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 7 1988					FRIDAY NOVEMBER 4 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	147.18	-1.0	122.89	118.10	4.31	148.71	124.88	119.13	152.31	91.16	92.65
Austria (17)	96.15	+0.1	80.28	89.15	2.40	96.03	80.64	89.26	98.18	83.72	93.23
Belgium (63)	129.89	+0.7	108.46	120.76	4.19	129.00	108.33	120.89	139.89	99.14	102.61
Canada (125)	116.28	-3.3	97.10	104.16	3.33	120.20	100.94	106.36	128.91	107.06	100.22
Denmark (39)	146.18	+0.3	122.06	136.64	2.21	145.74	122.38	136.92	148.99	111.42	111.54
Finland (26)	128.60	+0.1	107.38	113.69	1.46	128.48	107.89	113.84	139.53	106.78	–
France (130)	108.35	-0.5	90.48	103.42	3.14	108.94	91.48	104.54	109.82	72.77	84.91
West Germany (102)	84.50	-0.7	70.56	78.38	2.37	85.06	71.43	79.33	87.49	67.78	74.46
Hong Kong (46)	104.83	-0.5	87.54	105.15	4.80	105.39	88.50	105.68	111.86	84.90	82.21
Ireland (18)	130.45	-1.4	108.93	122.59	4.10	132.32	111.11	125.13	144.25	104.60	100.34
Italy (100)	84.37	+0.7	70.45	83.50	2.41	83.82	70.39	83.38	85.06	62.99	72.04
Japan (456)	172.87	-0.1	144.35	136.26	0.54	173.09	145.35	137.09	177.27	133.61	136.12
Malaysia (36)	140.18	+0.0	117.05	144.96	2.96	140.13	117.67	144.69	154.17	107.83	105.53
Mexico (13)	159.90	+1.3	133.52	399.83	1.36	157.79	132.50	393.77	180.07	90.07	192.66
Netherland (38)	108.22	-1.0	90.36	99.37	4.96	109.34	91.82	100.93	111.00	95.23	91.58
New Zealand (25)	71.27	-0.6	59.51	60.71	6.48	71.73	60.23	61.18	84.05	64.42	82.50
Norway (25)	120.40	+0.2	100.54	108.56	2.67	120.16	100.90	108.78	132.23	98.55	105.41
Singapore (26)	121.12	+0.0	101.14	110.29	2.46	121.10	101.70	110.70	135.89	97.99	97.62
South Africa (60)	114.07	-1.7	95.25	100.75	4.51	116.04	97.45	101.47	139.07	98.26	124.92
Spain (42)	150.57	+0.5	125.73	133.92	3.06	149.84	125.83	134.18	164.47	130.73	130.05
Sweden (35)	131.85	+0.0	110.10	120.68	2.37	131.82	110.70	120.99	132.23	96.92	94.78
Switzerland (56)	84.36	-0.2	70.44	78.11	2.16	84.53	70.98	78.79	86.75	74.13	79.12
United Kingdom (321)	135.65	-0.2	113.27	113.27	4.65	135.94	114.15	114.15	141.18	120.66	114.37
USA (577)	111.78	-0.9	93.34	111.78	3.61	112.79	94.72	112.79	115.55	99.19	99.39
Europe (1012)	112.97	-0.2	94.33	100.32	3.70	113.23	95.09	101.12	114.42	97.01	95.30
Pacific Basin (680)	169.08	-0.2	141.19	134.17	0.77	169.37	142.23	134.99	172.26	130.81	132.47
Euro-Pacific (1692)	146.66	-0.2	122.46	120.58	1.68	146.93	123.39	121.39	148.57	120.36	117.63
North America (702)	112.00	-1.0	93.52	111.33	3.60	113.17	95.04	112.42	116.07	99.78	99.43
Europe Ex. UK (691)	98.70	-0.2	82.42	92.46	2.94	98.94	83.09	93.21	99.85	80.27	83.47
Pacific Ex. Japan (224)	123.65	-0.8	103.26	107.92	4.43	124.63	104.66	108.68	128.27	87.51	88.38
World Ex. US (1890)	145.29	-0.3	121.32	119.95	1.75	145.71	122.36	120.81	147.34	120.26	117.15
World Ex. UK (2146)	132.04	-0.5	110.26	117.54	2.10	132.71	111.45	118.45	134.12	111.77	109.88
World Ex. So. Af. (2407)	132.46	-0.5	110.60	117.24	2.32	133.09	111.76	118.14	134.50	113.26	110.16
World Ex. Japan (2011)	112.91	-0.7	94.28	107.50	3.68	113.75	95.52	108.46	115.54	100.00	97.88
The World Index (2467)	132.34	-0.5	110.51	117.12	2.34	132.98	111.67	118.03	134.40	113.37	110.26

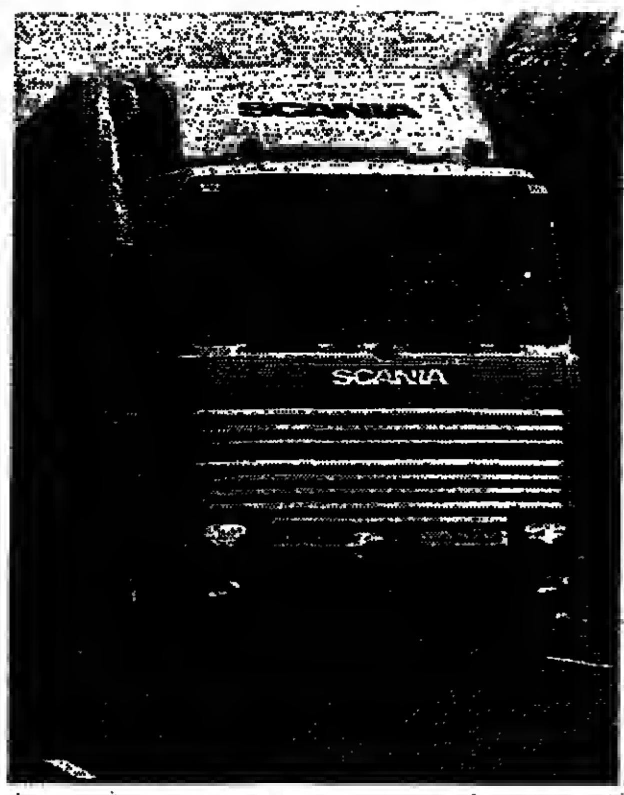
Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

Truck makers are presently enjoying the good times and having to concentrate on squeezing yet more production out of their existing capacity. However, forecasters are predicting a fall in sales next year and **Kevin Done** takes a look at the road ahead




In top gear: all truck makers are enjoying buoyant sales but there are warnings that demand for commercial vehicles could fall next year

Commercial vehicles

In the peak of condition

THE commercial vehicles industry is currently enjoying a record level of demand, surpassing the earlier peak years at the end of the 1970s, and even though most forecasts suggest a slight fall in sales next year, the truck makers expect a soft landing.

Instead of battling with over-capacity and fighting for survival, Europe's truck makers are confronting the unaccustomed problem of how to squeeze more output out of existing plants in order to keep np with a run-away demand that none had predicted.

Companies as diverse as France's state-owned Renault Vehicules Industriels (RVI), Europe's third largest truck maker, and the modest ERF, one of the two remaining UK independent truck makers, are making record profits having come back, in the case of ERF, from the edge of financial collapse, and in the case of RVI, from massive losses.

A semblance of financial health is being restored despite the fact that the costly old habits of discounting, incentive schemes and favourable trade-ins appear still to be ingrained in some parts of Europe, record demand notwithstanding, as the battle for market share intensifies.

In the early 1980s, the West European truck industry was hit plunging sales in Europe and the collapse of markets in Africa and the Middle East. The recession claimed notable victims, particularly in the UK, whose truck makers had failed to build a comprehensive sales and service network in continental Europe.

General Motors, the world's biggest automotive concern, represented through Bedford in the UK, pulled out of the West European truck market altogether, while Ford pooled its UK truck operations with Iveco, the commercial vehicles subsidiary of Fiat, with management control being taken by the Italian group.

As part of the dismemberment of British Leyland, the Leyland truck operations were taken over last year by DAF of the Netherlands, while this year the Leyland Bus activities have been bought by Volvo.

The next move in this whittling down of players in the European truck sector could well come in Spain, where there is renewed speculation about the future ownership of the state-owned Pegaso, which also controls Seddon Atkinson in the UK. Pegaso is already linked with DAF of the Netherlands in a joint cab production venture, Cabtech.

There are still spirits in the industry fighting this domination by the biggest battalions, however. MAN of West Germany has fought to maintain its independence spending around DM500m in recent years to redesign its entire range of trucks and buses, a step described by Mr Wilfried Lochte, chairman of MAN's commercial vehicles division, as being of "ontstanding importance for safeguarding our competitiveness."

As part of the process, which culminated in the recent launch of its new medium range of 12-17 tonne trucks, MAN has shown one of the paths for more rational truck development in the 1990s, particularly for the smaller competitors. It has designed its truck ranges so that elements from only one cab can cater for a whole truck series from 12 tonnes up to the heaviest. The large proportion of identical parts in the cab allow it to exploit the cost advantages of large-scale production.

Mr Lochte is also seeking to expand the exchange of parts and components with other manufacturers as another way of helping to maintain the company's independence.

It has reached agreement with Daimler-Benz to increase greatly the joint production of some components "with the objective of keeping costs down".

More surprisingly a new player has emerged in the UK from the remains of GM's Bedford operation in the shape of AWD, led by the entrepreneur Mr David J.B.Brown, who also owns Artix, the UK maker of dump trucks which are sold worldwide under the Caterpillar badge.

In September AWD re-entered the mainstream UK truck market with a series of light and medium range trucks snbstantially revised from the models formerly produced by Bedford. About 1,000 units of AWD's output this year will be of civilian trucks.

Most ambitiously it is now seeking to set up a continental European distribution network for a launch outside the UK next year.

AWD will be trying to establish a foothold in a European market, which most truck makers believe has peaked this year. The competitive pressures can only grow with the major players bungry for market share in a sector which is not expected to show any further volume growth until the mid-1990s. Growth in volnme will only be won at the expense of competitors.

According to Mr Giorgio Garuzzo, Iveco chief executive, there are no signs yet the European market weakening, but be maintains that demand has reached a plateau and forecasts a modest downturn in demand in the oext six to eight months. According to Iveco truck registrations in Europe of 3.5 tonnes and above will have risen by 9-10 per cent this year to about 470,000 units, following a jump of 15 per cent in 1987 to 431,900 units.

"The natural market is somewhere between the 1987/88 total and the recession years. There are huge fluctuations and now we are close to the top of one of these fluctuations. This will not last for ever, but we will not go back into the valley of earlier years." The truck market will drop next year below this year's record level of around 470,000 units, however.

Iveco, Europe's second largest truck producer after Daimler-Benz, is currently hampered in meeting demand by the lack of production capacity, but Mr Garuzzo rules out any major investment in new plant, a stance repeated by Damller-Benz. Iveco is choosing instead to increase overtime working and to increase its workforce in order to squeeze more output out of existing capacity.

At the same time - in common with several of his competitors - Mr Garuzzo claims that Iveco, which has earnings at record levels, is now in better shape to be able to withstand a future sharp downturn in demand. He says that lyeco has reduced its hreak-eveo point to less than 100,000 units a year, while the group expects sales this year to total more than 130,000 units compared with 117,000 units in 1987.

Renault Vehicules Industriels, in third place in Europe, has previously lagged behind the recovery at Iveco, but Mr Philippe Gras, RVI chairman and chief executive, claims too that the company could now "face up to a hig drop in volume without hurting its financial results".

In France the RVI workforce has been halved from 36,020 in 1977 to 18,873 at the end of May this year. "Even if we lost 15-20 per cent of overall sales volume we would still be making money," says Mr Gras. RVI ran up losses of FFr5.5hn from 1984 to 1986, hut achieved a first net profit in 1987 of FFr199m

RVI is currently seeking to strengthen its presence in the top-of-the-line beavy duty segment of the European market (16 tonnes and above) in which it is presently engaged in a tough fight with Iveco, DAF, and Volvo and Scania of Sweden, which all have shares of betweeo 11 and 14 per cent behind the iodustry leader Daimler-Benz with close to 19 per ceot.

The hig European truck makers can stake a valid claim to be world industry leaders, and are taking some major strides towards establishing a global preseoce. Daimler-Benz, Volvo and Renault are all now entrenched players in the US heavy truck industry following a series of takeovers, and both Daimler-Benz and Volvo want to enter the Japanese truck market through joint marketing and distribution arrangements with Japanese producers, Volvo with Isuzu and Daimler-Benz with Mitsubishi. Daimler-Benz bas also recently completed a hreakthrough truck licensing agreement in China.

Of all the world's truck makers Daimler-Benz is best-placed to create in the truck industry the sort of global product and components sourcing network that the world's leading car makers are estahlishing. The European truck industry may be focusing largely on the opportunities and challenges that will be offered by the creation of a single market in Europe, hut the shape of the future battle will be decided beyond Europe's borders. "We are approaching the truck industry on a glohal basis," says Mr Jurgen Schrempp, deputy director of Daimler-Benz's commercial vehicles division.

Low-cost production centres around the world would allow the group to source components and products from the most advantageous location. Mr Helmut Werner, Daimler-Benz commercial vehicles director claims: "This gives us a tremendous advantage over our competitors, because no-one else in the our industry is in a comparable situation."

COMMERCIAL VEHICLES 2

UK truck sales jump to their highest level since 1979

Imports keep pace as demand rises

UK TRUCK sales have defied all forecasts jumping to the highest level since the peak year of 1979, and allowing truck makers to reach a level of profitability not enjoyed for many years, in spite of still rampant discounting.

UK truck producers have been steadily increasing production to meet the higher domestic demand, but imports have also more than kept pace, and claimed 40.7 per cent of the UK truck market over 3.5 tonnes in the first nine months of the year.

The UK truck sector has undergone a dramatic restructuring during the last decade, but it still remains one of the most fragmented truck industries in West Europe.

Most dramatically in the last two years the industry has seen the withdrawal of the two US giants General Motors and Ford, both of which had their European truck manufacturing headquarters in the UK since before the Second World War.

Ford has maintained an equity stake in its joint venture with Iveco, Iveco Ford Truck, but effective management control has been passed to Iveco, the commercial vehicles subsidiary of Fiat of Italy.

GM virtually closed its Bedford truck operations after its failure in 1986 to acquire Leyland, although more hopefully a new presence is emerging in British truck making from the remains of the Bedford business in the shape of AWD, a private venture formed by Mr David J. Brown, a Yorkshire-born engineer and entrepreneur. AWD has launched a new range of medium trucks in the UK market aimed at recapturing some of Bedford's former mainstream commercial vehicle business, although the core of the business will remain military vehicles, at least in the short-term.

The Leyland truck operations have become part of DAF of the Netherlands, although British Aerospace - through Rover Group - still has a 40 per cent stake in DAF.

Since their formation, tha two operations Leyland DAF, the Dutch group's UK subsidiary, and Iveco Ford, have vied for leadership of the UK market for trucks over 3.5 tonnes, but in recent months Iveco Ford has managed to open up a gap ahead of its rival.

Much of the remainder of the UK truck industry is also in foreign hands in the shape of Renault Truck Industries, Seddon Atkinson as part of Enasa of Spain and Foden, a remaining outpost of the US industry as a subsidiary of Paccar.

Until tha dramatic emergence of AWD the only volume UK truck maker remaining was ERF from Sandbach, Cheshire. ERF itself came close to collapse in the grim days at the depth of the truck market recession in the early 1980s, but it is now expanding powerfully and profitably buoyed up by the unexpected strength of the UK market on which it is still overwhelmingly dependent.

In the year to the end of March this year ERF made a pre-tax profit of £5.6m compared with only £718,000 a year earlier with turnover jumping by more than 60 per cent to £121.9m. Production has been doubled in the last two years and has increased from around 3,000 units in 1987 to some 4,000 units in 1988.

In the first nine months of the year ERF increased its sales in the UK by 66 per cent to 2,816 units, and it has recently announced plans to set up a second production facility to increase output further from January.

ERF is currently producing at a rate of 20 units a day compared with around 7 a day only two years ago. The new production facility on its existing engineering design and service site at Middlewich, will allow output to rise further to some 25 units a day, the highest in the company's history.

ERF currently claims some 10-11 per cent of the UK market for trucks of 16 tonnes and above, but with the expansion of production capacity the company is raising its ambitions.

Mr Peter Foden, ERF chairman whose family controls around 38 per cent of the company, claims that the company is aiming at a share of as much as 15 per cent with an output of to 6,000 trucks a year.

The UK truck market is highly competitive, however, and Mr Hans Tauscher, chief executive of Mercedes-Benz (UK), admits that it is a "cut-throat market". Its size makes it highly attractive to all the big West European truck makers and Mercedes-Benz itself, currently in third place in the overall truck market behind Iveco Ford and Leyland DAF, recently voiced the ambition of capturing 20 per cent of the market for trucks of six tonnes and above over the next five years compared with a present share of around 15 per cent.

Certainly in the first nine months of 1988 Mercedes-Benz has managed to outpace the market, increasing its sales volume in the market above 3.5 tonnes by 24.7 per cent and in the process taking its market share to 15.15 per cent from 14.36 per cent a year ago.

It still has some way to go to catch the market leaders, however, with Iveco Ford increasing its UK sales by 26.55 per cent to capture 24.87 per cent of the UK truck market in the first nine months compared with 23.23 per cent a year ago. Leyland DAF has held its share of last year virtually unchanged at 22.44 per cent.

Overall the UK truck market has jumped by 18.21 per cent in the first nine months of the year, and is expected to reach 66,000 units for the year, a performance that was only bettered once before in 1979 when sales extraordinarily reached 77,000 units.

From the peak in 1979 the industry was hit by a dramatic slide into recession in which demand fell by 40 per cent in two years bottoming out at 43,500 units in 1981 and had only climbed past the 50,000 level in 1984. A static market in 1985 and 1986 was followed by growth of 7 per cent in 1987 before demand began to soar this year.

In spite of the failure of most forecasters to predict the very strong growth in the market this year, the industry still believes this will be a peak year and that demand will fall off modestly in 1989.

Mr Tauscher says: "1988 has been an exceptional year for the commercial vehicle industry in general but the truck market cannot continue running at current levels."

Mercedes-Benz expects the market above 3.5 tonnes to level out at around 65,000 units, while the Society of Motor Manufacturers and Traders (SMMT), the motor industry trade association is slightly more pessimistic forecasting sales of 62,000 units in 1989 and 60,000 units in 1990.

In terms of production the UK truck industry has never recovered from the dramatic domestic collapse of the early 1980s coupled with the loss of its overseas markets. Unlike its continental rivals it did not have a strong marketing base in Western Europe to compensate for the loss of Third World markets.

Kevin Done

UK: registrations over 3.5t by maker

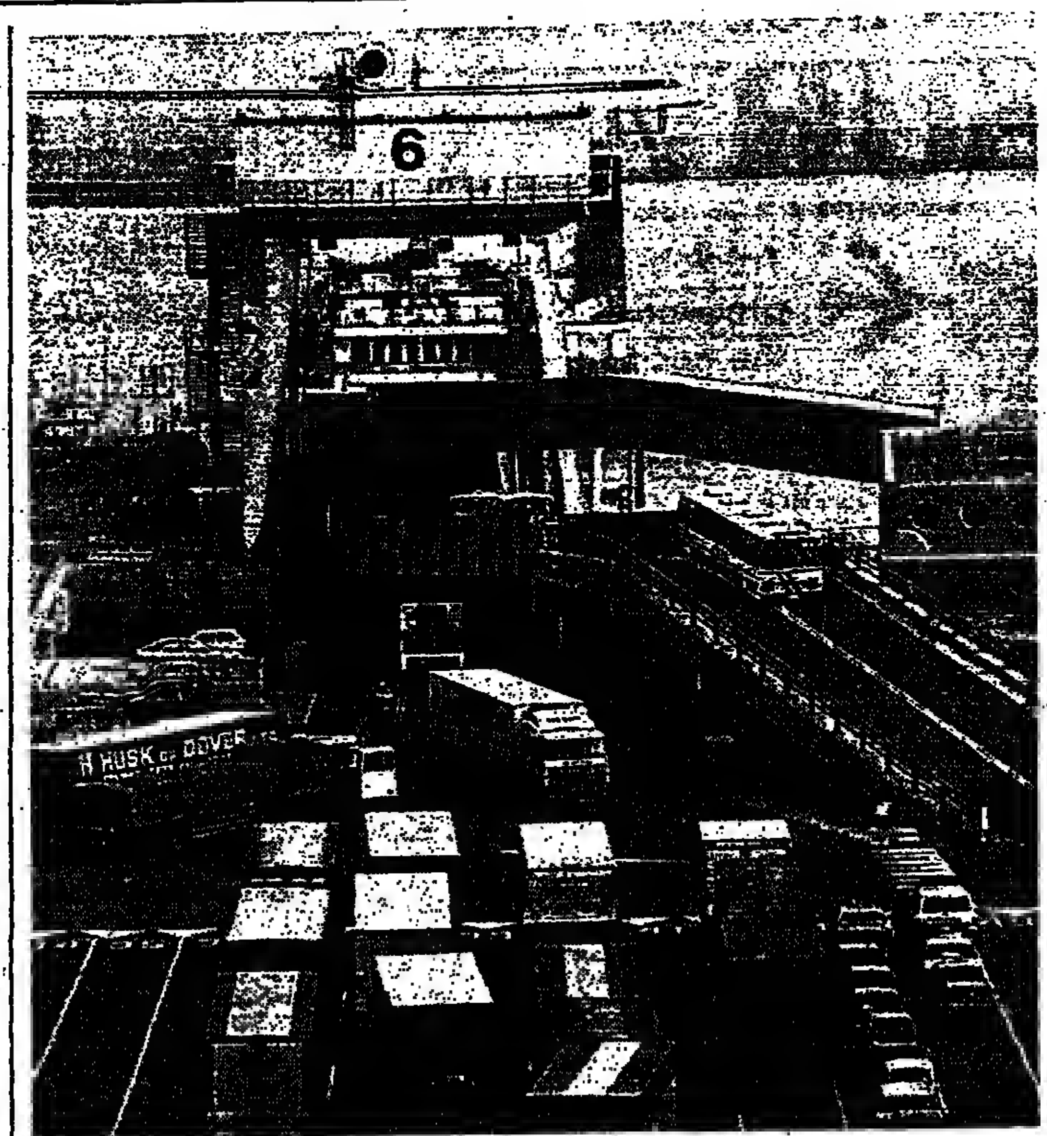
Maker	1987	% share	1986	% share	% change
Iveco/Ford	13,275	22.91	10,477	19.35	26.7
Leyland(DAF)	10,176	17.58	9,372	17.31	8.6
Daimler-Benz	8,350	14.41	7,640	14.11	9.3
GM/Bedford	1,165	2.01	4,938	9.12	−76.4
Volvo	6,063	10.46	4,562	8.43	32.9
Renault RVI	5,042	8.70	4,506	8.32	11.9
DAF	2,827	4.88	3,071	5.67	−7.9
Scania	2,838	4.89	2,627	4.85	8.0
MAN/VW	2,567	4.43	2,541	4.69	1.0
ERF	2,507	4.33	1,604	2.96	56.3
Seddon Atkinson	1,757	3.03	1,589	2.94	10.6
Foden	696	1.20	572	1.06	21.7
Dennis	546	0.94	447	0.83	22.1
SD	79	0.14	135	0.25	−41.5
Ebro	4	0.01	26	0.05	−84.6
Others	49	0.08	31	0.06	58.1
Total	57,939	100.00	54,138	100.00	7.0

Source: SMMT

TRUCKS OVER 16t PER MILLION PEOPLE Registrations July 1987 - June 1988

Country	Trucks/pop (m)
Netherlands	714
Belg/Lux	637
Sweden	633
UK	604
France	586
Finland	565
Denmark	553
Norway	538
Austria	489
Switzerland	477
Spain	456
Germany	354
Portugal	279
Total	470

Source: Iveco



Lorry queues at border crossings are likely to get shorter after 1992

DEREGULATION

Opening the borders

FOR A long time, it looked as though the European Community would never find a formula for the deregulation of road transport which would satisfy all 12 member states.

That changed in June, when the Transport Ministers' Council, meeting in Luxembourg, finally thrashed out a partial agreement on the vexed issue of quotas.

The decision represents a breakthrough for hauliers, because it holds out the prospect that the web of national restrictions which govern bilateral trade within the Community will be swept away on January 1, 1993.

But the form of the agreement gives a clue to the deep divisions that still exist between member states, and the serious thinking which still needs to be done if the goal of a Europe-wide deregulated transport system is to be achieved.

In essence, the Transport Ministers agreed to outflank the system of restricted bilateral quotas for commercial vehicles by rapidly expanding the parallel system of Community quotas, issued by the Commission, which are not under the control of national governments.

The agreement provided for a 40 per cent increase in EC quotas this year, and a further 40 per cent rise next year. But it left open for further discussion the crucial question of what will happen in the three years after after 1989.

That the Council reached agreement at all was a surprise which was brought about only by a climbdown by Mr Jurgen Warnke, the West German Transport Minister.

Bonn had earlier tried to block agreement by insisting on prior progress towards harmonisation of operating, technical and safety rules, as well as equalisation of taxes on vehicles and fuel.

Without this, the West Germans argued, free competition would be impossible, and operators in heavily taxed and tightly regulated markets like West Germany would be at a disadvantage.

In fact, West Germany was the only country to pursue this line to the bitter end, though there was also some concern in France about the effects of a free market on domestic hauliers.

The major area of disagreement on road transport is cabotage - the carriage of goods within one Community country by an operator registered in another.

The Community has proposed two methods of partial liberalisation, both of which are regarded as too radical by the Germans and French, who fear the effects of strong competition on their protected domestic industries.

These arguments cut little ice with other member states, particularly those which have already liberalised their domestic markets, such as the UK and the Netherlands.

It is the major Dutch and British transport operators, such as Nedlloyd, Christian Salvesen and Transport Development Group, and big multinational express operators such as TNT and Federal Express which hope to be the big winners from deregulation.

These companies, some of which are already on the acquisition trail, believe their experience of free market operation will give them an inherent advantage over those companies which have thrived only under strict protection.

They will be helped by progress towards the reduction of costly delays caused by time-consuming border controls. A major step towards this end has already been taken with the introduction earlier this year of a Single Administrative Document for goods moving within the Community.

This replaces around 100 Customs forms previously in use throughout the Community, and was accompanied by the introduction of a new Customs tariff based on an internationally harmonised system of nomenclature.

However, it appears increasingly unlikely that all customs checks on internal Community borders will disappear, as was once hoped, although there may well be further streamlining.

Kevin Brown

COMMERCIAL VEHICLES 3

WEST GERMANY

Sector is more than pulling its weight

WEST GERMAN trucks are doing more than pulling their load. Their sales and production growth this year is outpacing even the super fast sports cars made in Germany.

The best demand has been for heavy-duty trucks (six tonnes and over), with national production np 16 per cent and exports up 19 per cent in the first half of this year.

Including the smaller trucks and vans, West German truck production was up 6.1 per cent to 144,700 vehicles in the first six months of 1988. Three-fifths of them, or 86,400, were exported - almost 19 per cent more than during the first half last year.

In a special study, the Deutsche Bank group'a Degab analysts said the coming liberalisetion of the European Community hauling market encouraged transport companies to buy new trucks. The planned dropping of internal EC barriers hy 1992 is also expected to boost European trade, which in turn shonld boost the demand for trucks. A recovering West German construction industry has also helped boost demand, said the analysts.

World truck prodnction should reach 13.9m vehicles this year, with W. Germany producing about 300,000 trucks, said a Deutsche Bank analyst. Daimler-Banz should make about 260,000 of those, with the rest made by MAN and Iveco. The last named includes Magirus-Deutz, Daimler-Benz and Fiat components in a joint production. he said.

Prices have gone up about 3 per cent to 4 per cent this year because the demand is so great. It's a seller's market, said the analyst. Truck demand in western Europe is better than it has been for years.

And the next few years should continue to see strong sales as Europe's shippers prepare for the EC market. But truck manufacturers are carefully avoiding any major production expansion to meet the surge in demand. Instead customers are just having to wait longer to get their new truck, said the Deutsche Bank analyst.

Better fuel consumption and electronically-controlled gearboxes are some of the advantages offered by the new generation trucks.

But tougher environmental standards are also expected to become increasingly important in Europe. Daimler-Benz is said to be developing a catalytic convertor to filter the exhaust of diesel-powered trucks. Right now such extras are considered too expensive by most shippers. But toughened emissions standards planned in Germany, Switzerland, Holland and Belgium may force them to equip the next generation of trucks with such environmental safeguards.

Daimler-Benz, with more than 50 per cent of the W. German market and 31 per cent of the EC market for trucks above six tonnes, has done very well with its new 38 tonne truck first introduced in 1987. The hank analyst predicted strong demand in Europe will continue for the next few years.

W. GERMANY: registrations over 3.5t by maker

Maker	1987	% share	1986	% share	% change
Daimler-Benz	36,383	60.21	34,257	60.46	6.2
MAN/VW	11,304	18.71	10,575	18.66	6.9
Iveco	7,927	13.12	7,547	13.32	5.0
Scania	1,536	2.54	1,262	2.26	19.2
Volvo	1,128	1.87	1,011	1.78	11.6
Renault RVI	537	0.89	488	0.86	10.0
DAF	476	0.79	395	0.70	20.5
Other	1,133	1.88	1,105	1.95	2.5
Total	60,424	100.00	56,660	100.00	6.6

Source: Industry Sources/AID

DAIMLER-BENZ

World leader sees sales accelerate

BIGGER IS definitely better for Daimler-Benz in 1988. Its truck production and sales continue to accelerate even as its luxury sedan sales start to slip. And the bigger the truck the better it sells.

During the first half of 1988, Daimler-Benz truck, van and bus production was up 15 per cent to 132,000 vehicles. By year's end truck production will slow slightly to an overall 12 per cent growth for a total of 263,000 vehicles, according to Deutsche Bank analysts. Sales were up 10 per cent to DM 10.3bn in the January-June period, and are expected to be up 13 per cent to DM 22bn by the year's end, predicted the analysts.

Daimler-Benz continues to rank as the world's leading producer of heavy-duty trucks six tonnes and greater.

Overall Daimler-Benz trucks total 31.5 per cent of the firm's worldwide vehicle production and more than 30 per cent of group sales. In effect, the boom in truck orders this year is helping take up the slack in car sales. Each truck is worth about DM 83,650 in revenue, or 1.5 times the value of a Mercedes car in average value.

Daimler-Benz offers more than 900 models, starting with a 2.5 tonne box-body van up to a 40-tonne giant

The surge in truck sales this year should also produce better profits for the division, in spite of a price war on the European market, said the Deutsche Bank analysts.

While demand in both Brazil and its Freightliner trucks in the US is steady but stagnating, the increased value of the dollar, which ended at DM 1.88 last year, should also help boost profits in both markets, suggested the analysts.

Daimlar-Benz trucks are made in five factories in West Germany and in 17 other factories located in the US, Brazil, Argentina, Spain and Turkey. It also huilds truck engines in Maxico, said spokesman Mr Frank Kueppers.

While domestic production improved 10 per cent to 78,350 trucks during the first half year, its overseas production surged 22 per cent to 53,555 vehicles during the same period. That should lead to a record for Daimler-Benz, which is definitely working to shift its growth overseas. Its foreign-made trucks increased from 70,523 units in 1985 to 80,587 in 1986 and 89,493 in 1987. Domestic truck production on the other hand has remained steady at around 145,000 vehicles.

Mnch of that growth came in the US, where Daimler-Benz acquired Freightliner in the mid-1980s. It now ranks second in the US (behind Navistar), with sales last year up 31.7 per cent to almost 28,000 units. The biggest Mercedes-Benz trucks sold in the US are made at its factory in Brazil.

Daimler-Benz offers more than 900 models of trucks, starting with a 2.5 tonne box-body van up to a 40-tonne giant used on construction sites. The sales surge has been led by its heavier (16-tonnes and up) models this year, said Mr Kueppers. Of the 20,000 trucks it expects to sell in Britain this year, 4,900 of them will exceed 15 tonnes, he noted. That will be 25 per cent more than the number of heavy-duty trucks it sold in Britain last year.

In the first nine months of this year, Daimler-Benz UK sales were especially strong in the 3.5-7.4 tonne sector, up 43 per cent to 1,450 vehicles, the spokesman said. That is about one-third of the UK market in this weight class. The 6,500DB trucks sold in the 1.8-3.5 tonne class was almost one-fifth more than during the January-September period last year.

In addition to the booming demand in the EC, the end of the Iran-Iraq war also means renewing Daimler-Benz sales to the Middle East, Mr Kueppers said. World Bank loans and the reconstruction boom are already showing up on Mercedes truck order books. Heavy truck sales seem destined to continue to outpace tha demand for a 500SEL limousine. No wonder the biggest three-pointed stars are reserved for the grill of Mercedes trucks.

Forecasts of registrations of trucks over 3.5 tons GVW in W.Europe 1990 and 1993 (000 units)

	1983	1987	1990	1993
W.Germany	53	56	55	57
UK	50	58	55	60
France	40	45	42	45
Italy	23	21	24	28
Spain	15	30	28	30
Netherlands	9	15	13	15
Sweden	7	7	6	7
Belgium	5	9	6	10
Denmark	5	7	7	8
Norway	4	7	7	7
Austrie	4	6	6	7
Eire	3	4	4	5
Finland	3	4	4	4
Switzerland	3	4	4	4
Others	1	2	2	3
Total	225	275	265	290

Source: EIU estimates and forecasts

French truck market is heading for 10 per cent growth this year

Optimistic forecasts are exceeded

THE FRENCH truck market is heading for 10 per cent growth this year, exceeding even the most optimistic forecasts.

New truck sales are expected to total between 49,000 - 50,000 trucks this year compared with about 45,500 trucks last year when the market had started showing strong signs of recovery after its dramatic fall three years ago.

Indeed, the market has come back from a low of 34,700 new truck sales in 1985, s year when France was shaken by a price war of unusual ferocity between the main truck makers present on the domestic market. The recovery of the market has also coincided with the spectacular financial recovery of Renault Vehicules Industriels (RVI), the commercial vehicles subsidiary of Renault, the French state-owned motor group.

RVI is now expecting to report a record profit of about FFr 1bn this year after being on the brink of bankruptcy only a few years ago.

The large Renault truck subsidiary lost more than FFr 7bn between 1983 and 1986. After a sweeping restructuring programme, it returned in the black last year with a small profit of FFr 200m and has since continued to consolidate its recovery.

The restructuring, which has involved nearly 6,000 joh cuts during the last three years, has enahled RVI to improve sharply productivity and the company's production hreak-even point. During its worst period four years ago, the production hreak-even point totalled 78,800 trucks a year against the group's output of only 37,000 truck in 1984. Last year, RVI's production hreak-even point had declined to 35,000 trucks a year and it is expected to drop further this year to around 33,000 trucks against the group's expected outpnt of 45,000 trucks this year. RVI's production during the first six months of this year has already increased by 23 per cent to 27,800 trucks compared with the first half of last year

Throughout its restructuring process, RVI also managed to retain its dominant sbare of the domestic truck market. At the end of the first nine months of this year, RVI had a 41.2 per cent share of tbe French truck market with Mercedes in second position with 19.3 per cent of the market. The other manufacturers on the Frencb market include the Fiat-Iveco group with 14.2 per cent; Volvo with 9.4 per ceot; Daf with 6.7 per cent; Scania with 4.7 per cent; Man with 2.3 per cent; Ford with 0.7 per cent; and Pegaso, the Spanish truck maker which has recently made a small spurt on the French market, witb 0.7 per cent.

On the road to profit: Renault is now consolidating its recovery

The strong rise in new sales bas eased the traditionally cut-tbroat climate of tbe French truck market wbere price wars have regularly hled the balance sheets of tbe main manufacturers. The rise in the domestic truck market reflects sustained demand for truck transport in France, which has increased by as much as 16 per ceot so far this year, as well as a 10 per cent increase in the number of tonnes per mile transported hy lorries in the first half of this year.

But the industry does not expect the French market to be ahle to continue growing at its current rate. The most pessimistic forecasters now expect the marked to decline to around 45,000 trucks next year, while the most optimistic ones suggest that the market next year could remain at this year's high level of about 49,000 - 50,000 trucks. However no one expects a sudden sharp fall in the market. "It will be a soft landing," remarked one French truck industry official.

Paul Betts

COMPETITION IN W.EUROPE (Market share by %)

Make	3.5t+	5.0t+
Daimler-Benz	22.2	24.5
Iveco	20.0	20.0
RVI/Dodge	11.0	11.3
DAF/Leyland	7.6	9.1
Volvo	6.4	10.1
Ford (Transit)	6.0	-
Scania	4.6	7.4
MAN	4.4	7.1
PSA	3.2	-
VW	2.2	0.4
Fiat Auto	2.2	-
Japanese	3.2	2.2
Others	7.0	7.9

Source: Iveco

FRANCE: Registrations over 3.5t by maker

Maker	1987	% share
Renault	18,498	40.0
Daimler-Benz	9,268	20.0
Iveco/Unic	6,646	14.4
Volvo	4,409	9.5
Scania	2,461	5.3
DAF	2,446	5.3
MAN	919	2.0
Ford/Iveco	433	0.9
Iveco/Magirus	246	0.5
Pegaso	165	0.4
Leyland/DAF	154	0.3

Source: Industry Sources/AID

Wall Street analysts' predictions are wide of the mark

Growth comes as surprise

A YEAR ago, just after the crash on Wall Street and amid widespread predictions of an economic recession beginning sometime in 1988, few analysts would were bold enough to predict further growth in the US truck market.

As recently as last March, in fact, Mr Charles Piggott, the chairman of Paccar, predicted that heavy truck sales in 1988 might be no higher than in 1986, and more than 10 per cent below their level in 1987. Instead, medium and heavy-duty truck sales in the 1988 model year, which ended in September, increased by 9.45 per cent to 307,322 vehicles.

The motive force behind the rapid growth was not just the general expansion of the US economy, bnt the near-boom conditions created in the manufacturing sector, specifically by the decline of the dollar. As anybody who has followed the economic news must realise, 1988 was the year when the enormous devaluation of the US currency, since early 1985, finally began to prodnce results in terms of growing exports and declining import penetration.

With shipments of finished goods, components and raw materials growing much more rapidly than the ouput of services and other non-manufactures, the macroeconomic conditions could not have been more propitious for the trucking industry - particularly for the heavy long-haul end of the market.

The relatively strong growth of heavy haulage is only partially apparent from the truck

US FACTORY SHIPMENTS OF HEAVY DUTY TRUCKS*

Make	1979	1980	1981	1982	1983	1984	1985	1986
Chevrolet	7,778	2,166	1,560	672	561	893	897	503
Dodge	924	168	–	–	–	–	–	–
Ford	27,389	15,572	13,638	9,490	9,052	18,845	18,440	14,712
GMC	26,308	19,306	15,665	8,731	9,733	17,671	13,818	9,529
AM General	382	89	–	–	–	–	–	–
Freightliner	14,701	9,865	9,385	6,986	10,999	17,814	17,709	17,376
IH (Navistar)	41,370	23,395	28,143	18,471	19,282	30,834	23,778	24,354
Kenworth	15,225	10,669	11,043	7,106	8,548	13,670	10,801	10,361
Mack	34,874	24,618	20,559	15,540	13,345	25,901	25,139	17,114
Peterbilt	9,803	6,987	7,815	5,577	8,503	14,642	11,322	10,282
White	11,990	6,263	4,527	3,963	5,121	9,906	11,320	11,238
Others	2,145	2,138	1,957	650	409	673	1,008	988
Total Independents	130,490	84,614	83,712	58,293	66,307	113,440	101,075	91,733
Total Industry	192,889	121,826	114,575	77,196	85,653	150,849	134,230	118,477

*Over 33,001lbs Source: Ward's

production and sales statistics, since many of the light trucks bought in the US in recent years have actually been used as substitutes for passenger cars, rather than haulage workhorses.

The full-sized segment of this market grew by 9.7 per cent to 2.017m units, but this advance included very strong growth in the pick-up and sports-utility categories.

A better indication of the relative strength of light haulage demand comes from the growth of the full-sized cargo van market. This expanded by 4.21 per cent to 416,557 units, roughly half the growth rate seen in the heavy and medium truck market.

Even in the beavy end of the market, however, the best may by now be over. A modest deceleration in the growth rate has been detectable since the summer, as manufacturing activity and investment in the US economy generally has started to flatten out.

Demand for heavy-duty class eight vehicles, with a gross weight of 33,000lbs or more, was up 12 per cent in the eight months to August, but is now expected to end the year roughly 8 per cent higher, at around 150,000 units for calendar 1988.

The medium-duty class four to seven segments, which cover trucks from 14,001lbs to 33,000lbs gross vehicle weight (GVW) will probably show sales growth of around 9 per cent to 195,000 or so.

In another indication of slightly softer conditions, Navistar, the industry leader in the medium and heavy segments, noted in its last quarterly report that order backlogs fell by 12 per cent in the three months ended July.

Even if it does turn out that truck sales peaked this year, however, nobody is expecting a serious downturn. A forecast by Value Line, for instance, suggests that heavy truck demand will fall in 1989 by about 5 per cent to 135,000 units. This would still be around the same level of sales as in 1987.

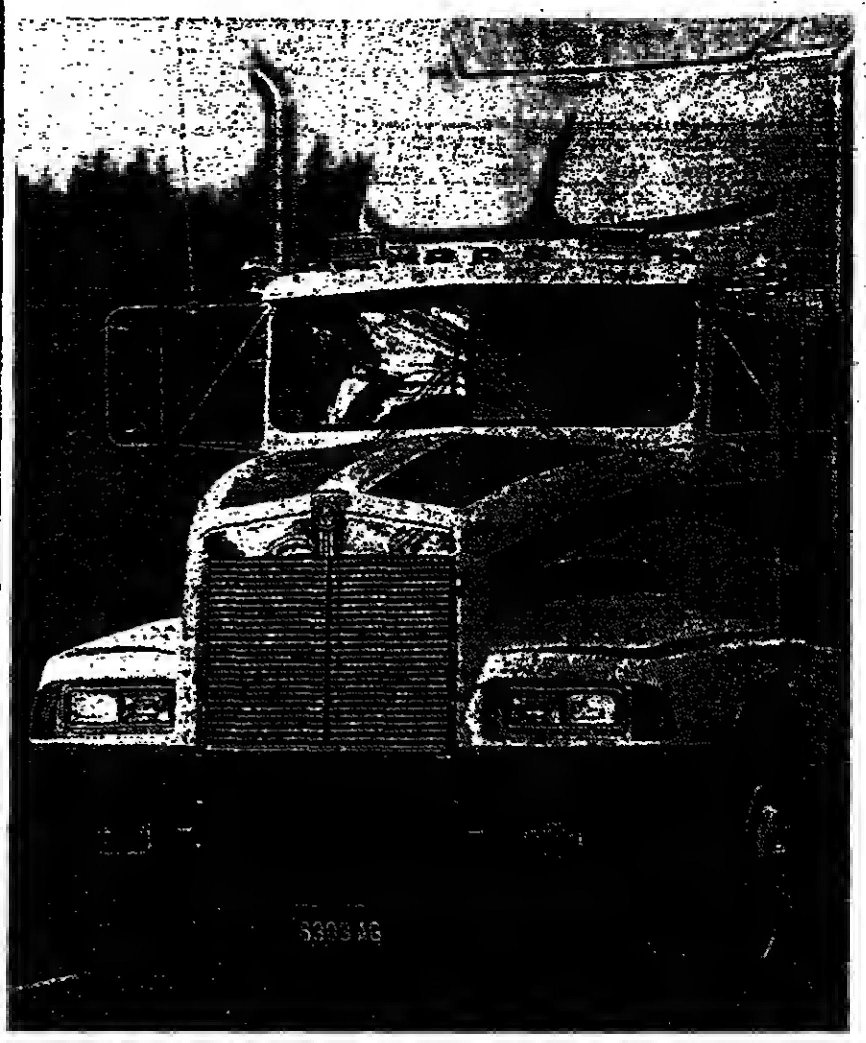
In fact, with the huge US trade deficit continuing to fall rapid growth in exports and import substitution, the main problem facing the US truck industry may not be cyclical reductions in demand. Even if the US economy as a whole slows down, further devaluations of the dollar may be arranged to keep the manufacturing sector, and hence road haulage, growing.

The real challenge to the US industry, which now consists of only two indigenous manufacturers - Paccar and Navistar - will be to keep up in terms of technology and manufacturing investment with the well-capitalised foreign-owned rivals like Daimler's Freightliner, Renault's Mack and the Volvo-dominated joint venture with GM.

Anatole Kaletsky

PACCAR

Still modest in success



The old-fashioned type of Kenworth cab - still liked by US truckers

CONSIDERING how easily it could be flaunted as a symbol of American industrial success in a competitive and hostile world, Paccar has been a very modest company.

Its chairman, Mr Charles Piggott, may be a legend in the international truck industry, but he appears to relish the the obscurity his company has won through a virtually uninterrupted record of steady, profitable growth.

Even the drivers and owners of the huge Peterbilt and Kenworth rigs that pound the US highways may not know that their machines, along with 27,000 others sold last year in the US, were from a $3bn Seattle-based company with the confusing name of Paccar - derived from its origin as the Pacific Car and Foundry Company, a maker of railroad engines for the logging industry in the Pacific north west.

This year, however, Paccar seemed destined to attract more attention, within the trucking industry at least. For 1988 looked like being the year when Paccar finally overtook Navistar as the leading manufacturer of the heaviest, class eight, vehicles which dominate US long-distance haulage.

Paccar, in fact, had already won that distinction in 1987, when Kenworth and Peterbilt between them shipped 19.8 per cent of the trucks in the 33,000lb plus class eight category. Navistar's share of US production was 18.7 per cent, although it actually sold marginally more heavy trucks within the US last year than Paccar.

Indeed, in the third quarter of 1988, Paccar reported its fourth consecutive quarter of record profits, as well as sales - better results even than in 1984, the annus mirabilis of the US truck industry.

In the first nine months of 1988, Paccar's profits were $128.4m on sales of $2.27bn. That represented an advance of 67 per cent in profits and of 30 per cent in sales. While the company's modest foreign operations, including Fodens of the UK, all made contributions, the key to its rapidly growing profits has been the Kenworth and Peterbilt business in the US.

For Paccar, the significance of rapidly growing earnings could not be over-stated, since the company's current strong position in the US market is based directly on the conservative financing and cautious business strategy which enabled it to ride out the recession of 1981-83.

Uniquely, among the US-based truckmakers, Paccar has managed remain profitable, even in the doom-laden depths of the 1982 recession.

As much as cautious financing and low debt, however, the key to Paccar's success has been its truck design. With driver shortages hitting the US long-distance haulage business, demand continues to grow for premium trucks, with the mechanical performance and 'luxury' features demanded by drivers.

In this respect, Peterbilt and Kenworth, with their old-fashioned, cab behind engine styling, are well liked by US truck drivers.

For reasons of both comfort and safety, US drivers show a marked preference for conventional, rather than cab over engine styling. Conventional cab behind engine sales accounted for about 80 per cent of Paccar's sales in 1987, against an industry average of about 43 per cent. As long as drivers remain in short supply, therefore, Paccar's models seem to have a promising future.

Anatole Kaletsky

NAVISTAR

Company's survival is no longer in doubt

WHILE Navistar's position as the leading US truckmaker may be under increasing attack - from Paccar in the heavy-duty market and from the Japanese and Europeans in the smaller vehicle classes - its survival no longer seems to be in question.

This in itself is a significant achievement for a company that very nearly went bankrupt five years ago, with debts of over $2bn against net worth of $30m.

With over 20 per cent of the heavy-duty class eight market and a somewhat higher share of the medium-duty segments, Navistar has benefited more than most from the unexpected strength of demand in US truck markets. Its operating income for the nine months to July, 1988, doubled to $192m and its net profits jumped to $162m, compared with a loss of $21m in the corresponding period a year earlier. Its worldwide sales for the nine month period were up 16.8 per cent to $2.95bn.

However the company's own managers, as well analysts on Wall Street, have continued to fret over two sets of questions hanging over Navistar's future.

Financially, Navistar continues to struggle with health and pensions liability for about 40,000 workers made redundant during the years of restructuring and rationalising that followed the financial collapse of the early 1980s.

Although the struggling agricultural equipment and steel businesses of the old International Harvester have been disposed of, this costly legacy continues to weaken the company's balance sheet.

With unfunded pensions liabilities estimated by some analysts to be equivalent to nearly half of Navistar's net worth, the $791m in shareholders' funds shown in the company's balance sheet do not yet seem to be sufficient to insulate if from all financial problems. To make matters worse, the sale and bankruptcy of Navistar's Wisconsin Steel subsidiary, is still giving rise to pensions-related lawsuits which could ultimately cost the company hundreds of millions of dollars to settle.

In terms of market position, Navistar is uncomfortably sandwiched between the high-cost custom made premium trucks of Paccar and Freightliner-Daimler and the more standardised models produced by Ford and the joint venture between GM and Volvo-White.

Navistar's heavy-duty trucks have traditionally been bought by large fleets which wanted to buy a truck with relatively few options for the lowest cost possible. It has excelled with cab over engine (COE) models which best fit these needs and its market share in this business is probably over 40 per cent.

But this is a part of the industry where price cutting is rampant and where Navistar's financial resources may not prove a match in the long-term for the international might of Volvo and Ford. Whether Navistar can continue indefinitely to support the heavy expenses of new model development, including the burdens of manufacturing proprietary engines, is a question which may only be answered when the long-awaited downturn in the US truck market finally arrives.

Anatole Kaletsky

Iveco: truck sales in W.Europe are nudging to 100,000 level

ITALY

Fleet renewal starts

THE ITALIAN market for heavy industrial vehicles has boomed in 1988 because operators have taken advantage of very strong transport demand to start renewing a relatively ageing national fleet.

Bearing in mind that somewhere in the region of 80 per cent of all Italian goods traffic is moved by road, the transport equipment sector has been given a strong and healthy blush by a 3.6 per cent rise in economic output this year.

In the absence of an independent and authoritative monitor of the industrial vehicle market; accounts of sales trends are totally dependent on the manufacturers' statistics which, in practice, means those produced by the market leader - the Fiat Group's Iveco.

Having enjoyed significant growth in the Western European market last year, where its market share rose from 16.4 per cent to 19.8 per cent, Iveco has continued to make strong progress this year.

Sales in the first six months rose 15 per cent to 66,971 units, pushing Iveco's share in Western Europe up to 20.2 per cent. Growth has been even stronger in Italy with a 23 per cent increase in sales to 24,697 units, yielding a dominant domestic market share of 61.3 per cent, fractionally higher than in last year's first half.

In the heavy vehicle category of above 16 tonnes, growth has been even more impressive, raising Iveco's Italian market share over the first nine months from 54 per cent to 58 per cent. The market as a whole for vehicles weighing more than 3.5 tonnes strengthened by 25 per cent in 1987 and by more 10 per cent in the first nine months of this year compared with the same period last year.

Iveco says that growth has been particularly strong in the 3.5-4.9 tonne transporter category and in the heavy group over 16 tonnes. The medium range, however, has been more restrained.

The Fiat company also claims that by the end of September it was taking 54.4 per cent of the heavy transporter sector, 81.6 per cent of the medium weights and 53.9 per cent of smallest category above 3.5 tonnes, the transporters.

Heavy vehicle imports have been fragmented between a handful of other European manufacturers with Daimler-Benz and RVI - the Renault subsidiary - most prominent, bnt also including Ford of Europe, Scania, Volvo and Man.

A further indicator of the strength of Italian economic activity over the past 18 months has been the demand for fork lift trucks. Societa Fiat Carrelli Elevatori registered a 25 per cent increase in sales last year to 6,900 units while in the first half of 1988, deliveries rose 22 per cent to 4,500 units.

Iveco's overall 1987 performance - a 25 per cent increase in sales to 117,800 units - was largely a reflection of strong growth in Europe overcoming flat or falling markets elsewhere. Some advance was made in the US, in spite of difficult market conditions, where sales rose 26 per cent to 2,529 vehicles, but total deliveries outside Europe and the US of 6,900 units were 25 per cent lower than the year before.

In the various European markets, the Iveco-Ford joint venture was market leader in the UK with a 22.9 per cent share of the sector above 3.5 tonnes, while the share in Germany rose from 11.9 per cent to 12.4 per cent and in France from 16.8 per cent to 18.3 per cent. A doubling of sales in Spain lifted the company up from 9.8 per cent to 12.1 per cent of the market.

John Wyles

ITALY: registrations over 3.5t by maker

Maker	1987	% share	1986	% share	% change
Iveco*	17,646	67.00	13,924	69.75	26.7
Daimler-Benz	2,892	10.98	1,964	9.84	47.3
Scania	1,959	7.44	1,611	8.07	21.6
Volvo	1,247	4.73	800	4.01	55.9
Renault RVI	786	2.98	519	2.60	51.4
DAF	671	2.55	433	2.17	55.0
MAN/VW	668	2.54	397	1.99	68.3
Ebro	116	0.44	90	0.45	28.9
Others	362	1.34	225	1.13	58.4
Total	26,337	100.00	19,963	100.00	31.9

* Includes Iveco/Ford and Astra. Source: Industry Sources

PROFILE: Giorgio Garuzzo

Iveco head changes direction

FIAT SET up Iveco 13 years ago to bring together its existing heavy commercial vehicle interests, including OM and Lancia in Italy and Unic in France, and those of Magirus in West Germany.

Magirus was previously owned by the Duetz engine group which for five years owned 20 per cent of Iveco before Fiat bought nut its stake.

Tha diversified nature of the group's structure meant that a substantial programme of reorganisation and rationalisation was needed. Efforts during the early years to identify and develop viable economics of scale often reduced the group to turmoil and a recession in both the Third World and West European truck demand hit Iveco's efforts to lift sales.

With the advent of Mr Giorgio Garuzzo as chief executive in May 1984, there came an important change in direction. Instead of aiming major efforts at building up marketing and increasing sales there began an attack on break-even levels. Costs were cut in Iveco's manufacturing, the workforce was reduced and the burden of debt cut back or re-scheduled.

Real progress was made in rationalising the group's operations.

After a training in electronics engineering and a period with Olivetti, Mr Garuzzo joined Fiat's industrial components subsidiary Gilardini. In 1976 he became assistant to Fiat's managing director and three years after he took over control of the group's components operations.

Within two years he had group responsibility for agricultural and construction vehicles and in 1984 he was appointed to restructure Fiat's commercial vehicle operations.

One of Mr Garuzzo's first decisions was to close the loss-making Unic operation in France. The plant at Trappes was closed at the end of 1984 but Iveco continued with the manufacture of buses and compooents in France and retained the important distribution network which has been built up over the years.

Giorgio Garuzzo: costs were cut

In West Germany, also, there was a question mark over the future of truck production at Ulm, following the closure of the bus plant of Iveco-Magirus at Mainz. However, it was decided instead to retain the operation and improve efficiency - a wise decision as truck production by Iveco-Magirus has increased steadily since 1985 to more than 12,500 units in 1987. Output is now approaching full capacity and facilities are being expanded to a capacity of 14,000 units per year.

Design and production of heavy on-road and quarry/construction vehicles for the group is now centred in West Germany.

Mr Garuzzo remains committed to maintaining a full range of commercial vehicles but as well as rationalising the group's production facilities, he has acted to reduce the number of Iveco's product lines - from 21 to a core of six model ranges. At the same time the number of engine groups has been reduced by one half to six, and the range of different truck cabs was cut from 20 to only four.

Iveco's production break-even has now been pruned - from 120,000 in 1980 to just over 80,000 vehicles per year. Output last year, excluding Ford Cargo, Alfa Romeo and some Yugoslav production, was about 94,000 units. This is around the same level of output as in 1980, but job cuts and rationalisation have meant that the group is employing 15,000 fewer workers.

Marketing and dealer strategies were reviewed but it was agreed to retain and build on Iveco's international manufacturing base with its inherent safeguards.

This approach to European production was further strengthened in 1986 when Iveco moved back into profit and in April, Mr Garuzzo agreed with Ford of the UK to set up a joint Iveco Ford truck venture. First profits were not expected for three years but in the first year half of 1988 booming UK demand yielded e net surplus of £5m. With net earnings for the group expected to climb by 20 per cent to a record £180m this year Mr Garuzzo must now be looking at the next step for Iveco - that of a Stock Exchange quotation.

Ian Robertson

IVECO

Closing in on market leader

IVECO's truck sales in western Europe look set to nudge a record 100,000 units this year. Sales for the first eight months have climbed by more than 10 per cent to 65,201, in a market up overall by 11 per cent at 323,825 units (3.5 tons GVW and over).

With a market share of 20.1 per cant, Ivaco remains Europe's number two supplier, closing in on Daimler-Benz (21.4 per cent) and comfortably ahead of number three, RVI (11.8 per cent).

Growth in market share this year has been concentrated in Italy, Portugal and the UK where strong cargo sales have boosted returns for the joint Iveco Ford operation. Recently, another 100 workers were hired for the assembly plant at Langley, Berkshire, and in September, output was lifted by 6 per cent to 81 vehicles a day - a level not seen since early 1980.

Growth in market share this year has been concentrated in Italy, Portugal and the UK

Elsewhere, however, the group has been struggling to keep up with runaway demand in Spain. Penetration of the Scandinavian markets remains low and in France where Unic truck production was earlier shut down, sales have fallen back. Ovsrall, Iveco still remains dependent on the Italian market for 44 per cent of its European sales.

There have been some problems for the group ontside Europe. In the early 1980s Neco established a marketing agreement with International Harvester, but this fell through when the US company encountered financial difficulties. Iveco then decided to establish its own network, concentrating on its light medium Z-truck range. The venture had some early success but in the past two years it has been adversely affected by the low value of the dollar and competition from Japanese suppliers. Last year, Iveco truck sales in the US were around 3,000 units.

In common with other West European truck producers, Iveco has also experienced a collapse in truck exports to the Middle East and many African countries. Exports fell a further 39 per cent in 1987 from the already depressed 1986 level. However, collaborative arrangements with local industrial interests in Egypt, Ethiopia, Libya, Tunisia and Zaire, enabled Iveco to take advantage of the limited requirements arising in these markets.

Iveco gained access to a new market last year when, in partnership with the Hinduja group, it bought a controlling interest in Ashok Leyland from the Rover Group. Ashok Leyland is the second largest Indian truck and bus maker, producing 16,000 vehicles a year.

In Europe, Iveco's manufacturing base extends to 19 plants in Italy, West Germany, France and the UK. The group'a rationalisation programme provides for much interchange of components among its pan-European facilities and all heavy T-range production has now been concentrated in Ulm, West Germany. Iveco's light and medium commercial operations are being focused in Turin and Brescia it Italy, with cargo production being maintained in the UK.

In France, truck assembly facilities have been turned over to the production of diesel engines and components for the group as part of a major restructuring of Iveco Unic.

Medium and heavy diesel engine production for the group is being centred at the Bourbon Lancy plant and in Turin a new plant for the manufacture of light and medium gearboxes is being prepared. The new facility will produce re-engineered versions of the light gearbox now made in Brescia, as well as a new family of medium-size gearboxes. Production at the plant is expected to start next year. This rationalisation programme, and a capital injection by Fiat has coincided with record demand across Europe and an earlier-than-expected move into profit for the joint UK operation.

The net result is that, in spite of allocating a further £30m for spending on research and development, Iveco looks set to lift its net profit from last year's £160m.

Wary of forecasts of a downturn next year, however, the group is making no provision to increase capacity. The current peak in demand is being met by overtime and the recruitment of extra workers.

Ian Robertson

COMMERCIAL VEHICLES 6

Legislation and competition have forced designers to make diesels cleaner and quieter

Trucks take the high-technology route

HIGH technology and trucks are, in the popular mind, unlikely bedfellows. The traditional view of the heavy lorry, as a cumbersome grimy monster exuding noise and smoke, does not square with the trappings of the computer age.

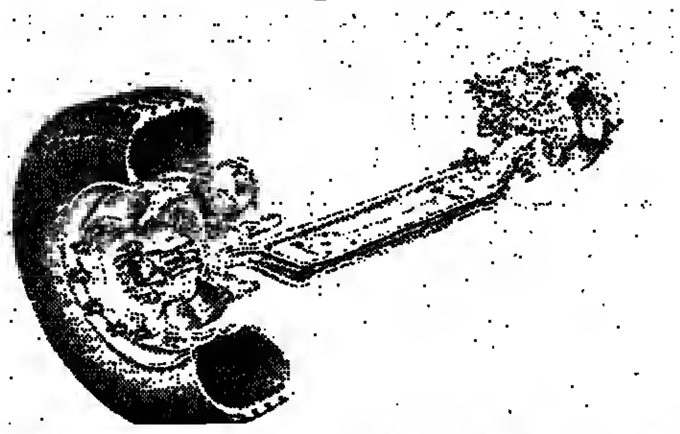
But in fact, the last decade has seen advances in commercial vehicle engineering which have set the pattern for technical improvements in other fields, notably industrial and construction equipment.

Environmental legislation together with the forces of competition have created tremendous pressure on truck designers, and on diesel engine producers especially. Diesels are becoming *cleaner* and *quieter*. At same time they are more efficient, using less fuel at given performance levels.

Companies like Volvo and Scania form Sweden, who pioneered the use of exhaust gas driven turbochargers on diesels in the 1950s, are pushing forward the boundaries of diesel technology in the late 1980s. Helped by the manufacturers of key auxiliaries, in particular fuel-injection equipment and turbochargers, it has been possible to burn the fuel more completely and efficiently.

Fuel-injection pumps from Bosch and Lucas-CAV, generate higher pressures, while turbos from Holset, Garrett and KKK deliver greater quantities of combustion air from smaller and lighter units. Because the turbo's rotating masses are lighter, engines are more responsive to accelerator pedal movement when the power requirement changes.

Intercoolers which reduce the temperature of the air delivered by the turbocharger before it goes into the engine are becoming the rule rather than the exception on high-powered truck diesel engines. Atmospheric air is the most widely accepted cooling medium. Cummins, the biggest UK-based supplier of heavy truck diesels has recently switched to air-air instead of water-air intercooling in its 10 and 8.3 litre models. Perkins will be making the same move next year on the most powerful of the 12.2 litre Eagle diesels, which originally hore a Rolls-Royce nameplate. The resulting gain in engine efficiency has brought horsepower increases of about 12 per cent with no fuel consumption penalty.



Lucas supplies disc brakes for Renault's biggest tractor units

Electronics are poised to make a major impact on the truck diesel scene, though no engine so equipped has yet become commercially available. Bosch has an electronic engine governor ready to be incorporated into today's fuel-injection pumps. Scania, Mercedes, Perkins and others intend to offer such a refinement, which instantaneously matches the quantity of fuel and the timing of the injector opening to the changing demands of the engine and or the driver's right foot.

Transport operators' antipathy to on-board electronics, especially in connection with the vehicle's most vital component, the engine, on the grounds of alleged unreliability, is rooted more suspicion than experience.

A diesel, unlike a petrol engine needs no electrical assistance in the shape of sparking plugs, coil or distributor, to keep running. Old-fashioned electrics with their vulnerability to damp and dirt, have therefore taken on a pejorative association. Those reservations have rubbed off on solid-state electronics whose components are now acknowledged to withstand ageing and vibration as well as many mechanical parts.

Anti-skid systems for trucks as well as cars, now known under the generic description of ABS, rely however on electronic sensors and microprocessors - a fact which the most sceptical transport manger of fleet engineer is having to recognise. ABS has become, unwittingly, the "foot in the door" for electronics on trucks.

It has paved the way for the acceptance of electronic control of powered gearchange systems, like the Mercedes-Benz EPS, Scania CAG and Eaton's SAMT, in which compressed air energy available from the vehicle's brake system replaces the driver's left arm muscles. Sensors monitoring accelerator pedal position, and engine and vehicle speed, transit signals to the microcomputer, 'approving' or blocking pre-selected gearshifts.

In what is regarded as a bold marketing move, Mercedes last year made EPS a standard fitting on its highest-performance 38 tonne trucks, *without* an all-mechanical shift option. Scania in contrast offers CAG as an extra, at an on-cost close to £2000. Take-up, in Britain at least, for CAG is negligible.

The most sophisticated of the three systems is SAMT, offered on ERF and German MAN trucks, which also does away with clutch pedal operation except when starting away and stopping.

Fingertip gear shifting with the aid of electronics is one of a package of innovations aimed at making the truck driver's job easier, both physically and in terms of concentration. Electronic diesel control (the initials EDC have already become part of vehicle builders' language) carries the evolution a stage further.

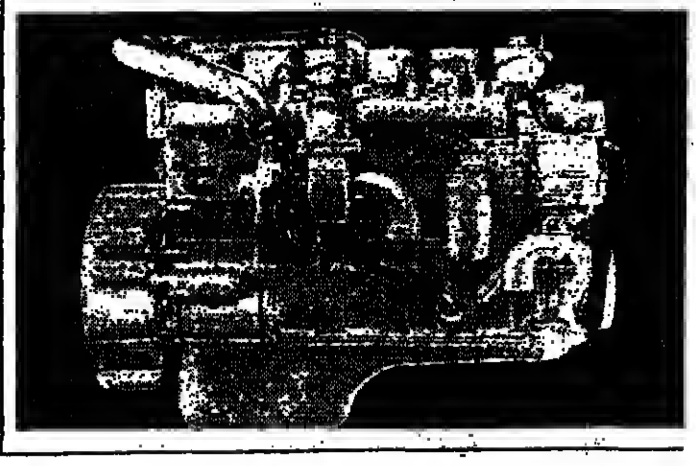
Bosch in Germany is spearheading research on EDC, which governs the all-important injection process, opening up possibilities for controlling the engine's characteristics more exactly, varying the balance of emphasis between and performance.

Application of EDC will boost the power of Scania's highest-rated 14 litre V8 engine from 450 to 470bhp - an output level just ahead of Volvo's rival 16 litre. The two German truck makers currently lead the power race - without electronics. MAN's big 18.3 litre V10 develops 489hp without advanced technology. Mercedes' higher-tech 14.6 litre V8 has recently been uprated from 450 to a mighty 492hp. But waiting in the wings is Cummins whose most powerful truck engine yet, of 471hp, could bead adopted next year by UK chassis makers like ERF and Seddon Atkinson.

Alan Bunting

Cummins C-Series engines power the latest Iveco Ford 17 tonnes GVW range

Above: The lighter models in the Renault Midliner range fit the Perkins 438 engine. Below: The Cummins B-Series engine which is fitted to the Leyland DAF 300 Series



OUTSIDE SUPPLIERS

Mergers give boost to components makers

MANY OF the leading vehicle builders pursue a policy of own manufacture on high valne components - engines, gearboxes, and axles - that go to make a truck.

So major components suppliers to the truck industry in Europe have to work hard to get their products accepted.

There are signs of an improvement in the fortunes of the major component suppliers - not so mnch hecause of demand from the manufacturers like Volvo, Scania and Daimler Benz who are particularly concerned with the manufacture of their own components, hut from those who as a matter of policy use outside component suppliers.

Mergers like that between Leyland and DAF and Iveco and Ford have improved the situation. Take Cummins for example which reports that it is doing better in Europe than for some years because of the Leyland DAF deal. DAF sells the Leyland Roadrunner as the DAF 300 Series in Europe and this fits the Cummins B Series (115 hhp to 180hhp) diesel engine built in Darlington. Sales of the DAF 300 Series ahould be around 3,000 this year which is obviously good business for Cummins.

The Iveco Ford tie up has helped Cummins too as the Iveco Ford factory at Langley, Berkshire is turning out more trucks than it has for some years. Cargo production this year will top 16,000 - many of these with Cummins B Series and C Series (21lbhp to 265bhp) engines. A useful number of these are being sold as Fords in Europe.

The Cummins Engine company needs this bnsiness because the UK subsidiary of Cummins Engine Inc of the USA has been making losses of late. Althongh turnover jumped to £225m in 1987 from £179.4m in 1986, net losses were incurred in both years.

Cummins has been reorganising all its UK operations, phasing out its V-engines and introducing new models.

As can be seen from the sales figures, turnover has jumped reflecting the strong sales of its big in-line diesels made at Shotts in Scotland and sold to companies like ERF, Seddon Atkinson and Leyland DAF.

Explaining its losses in its last annual report Cummins said that these "primarily resulted from a change in the *mix of products sold*", including the sales of the relatively new engines which have not reached the desired margin levsls. Cummins main engine prodncing rival - Perkins Engines of Peterborough - is a main supplier of engines to several British chassis manufacturers having continued the programme of Rolls-Royce Diesels and Gardner Engines, following their acquisition by Perkins as well as expanding its own range of engines.

Perkins main European customer is Renault in France whichfits the Psrkins T438 four-cylinder diesel in the lighter (7.5 tonnes to 11 tonnes gvw) versions of its Midliner range.

Also in France, ACMAT, a military vehicle maker has taken Perkins engines for years. Perkins' prospects of expanding into Europe, however look healthiest in Spain where the company recently entered into a collaboration agreement with ENASA (Empresa Nacional de Autocamiones SA) the maker of Pegaso trucks.

The agreement is of a type which all major component makers are seeking. It covers three areas. The first is the marketing in Spain of Perkins industrial, marine and antomotive engines including the 100 series, 500 series, Phaser and 1000 series ranges. This embraces a power range from 5hhp to 180bhp. The engines are to be offered through a new division - Pegaso Motor.

The second area of agreement is for a joint development and test programme between research and development engineers at the Perkins engineering complex in Peterborough and Pegaso's technical centre in Barcelona.

When the agreement was announced Perkins said: "The aim is to exploit the experience and expertise of both sets of engineers in the area of high performance diesels, in the development of a new range of medium size engines."

The third part of the agreement is designed to permit the use in future Pegaso vehicles of Perkins automotive engines.

The Perkins Phaser engine is already offered hy Seddon Atkinson, Pegaso's wholly-owned UK subsidiary. As well as the new generation engines, the latest technology versions of Perkins, 3.152, 4.236 and 6.3544 engines - already wellestablished in the Spanish market - are to be introduced in Pegasos.

In the gearbox sector two names tend to dominate the market. Eaton, which although basically an American company has factories in Britain and other parts of Europe, and ZF, the German manufacturer. Eaton also makes axles and points out that it has since 1980 successfully updated its range of gearboxes and axles with the result that it has broken into new markets.

The company says that this is the result of heavy spending on research and development. It recently reported that its market share of gearbox shipments to European truck manufacturers, in the segment for trucks over 260bhp, had beeo maintained. It also said that the introduction of its latest five, six and nine-speed synchromesh transmission range saw Eaton successfully enter a new market segment. Eaton gearboxes are sold in quantity to DAF in the Netherlands ENASA (Pegaso) in Spain, ERF, Foden, Iveco Ford, Seddon Atkinson and Leyland DAF in the UK, Iveco in Italy and Germany, Renault in France, and MAN in Germany, to name only the big companies.

A similar kind of list can be prodnced by ZF which can boast penetration with even some of the really vertically-integrated companies.

Eaton is also involved in axle supply where anothsr American giant - Rockwell - has a major presence. Both companies have gained markets by entering into joint ventures with chassis manufacturers which have proved fruitful for them, thus Eaton has been helped hy a link with MAN and Rockwell hy one with Iveco. Although Rockwell subsequently bought the Iveco interest, Iveco remains as the venture's biggest cnstomer although other vehicle manufacturers have since become customers.

An area where even the vertically integrated manufacturers seem to have moved away from their own equipment is in hraking especially with ABS (anti-lock) braking where WABCO, Bosch and Grau Girling dominate the technology.

There is also now a move to disc brakes on ultra heavy vehicles. Here Renault in France is the first company to offer a reaction beam disc brake made by Lucas Heavy Duty Braking Systems. Rockwell has also launched a similar disc brake for fitment to vehicles operating at 40 tonnes.

The extent to which such disc brake designs are being accepted in the heavy vehicle sector is presented by the list of medium-weight vehicles models taking (the smaller) Girling discs, namely the Volvo FL, the Iveco Ford Cargo, the Daimler Benz LN1 and the Iveco Fiat Gamma Z.

Ten years of development have been put into this development by Lucas and that's hard for any chassis manufacturer to match for a single component.

Eric Gibbens

Improved efficiency may not lead to an increase in truck sales

Makers question impact of reforms

THE CREATION of a unified single market in the European Community will create new opportunities for commercial vehicle operators and manufacturers.

Leading truck makers remain sceptical, however, both about the length of time it will take to achieve a single market, and about the boost such reforms will provide for European truck sales.

Both Daimler-Benz of West Germany and Iveco of Italy - mindful of the damage wrought by overcapacity earlier in the 1980s - have sought recently to dissuade the industry from adding new capacity in response to the sharp increase in sales in the last two years.

Mr Helmut Werner, Daimler-Benz board member responsible for commercial vehicles says: "We should not be fooled by the good market situation of 1987/88. It is very dangerous to extrapolate these levels into the future. We should be very careful in not extending capacity, but use present capacities to the maximum."

European truck makers are very aware of forecasts that suggest that cross-border transportation volumes could grow by more than a third in western Europe by the end of the century, and that the share of freight moved by trucks will increase to 55 per cent from its present 40 per cent.

Mr Werner adds: "That combined could give a doubling of volume available for trucks."

Improvements in logistics and the removal of regulations will avoid trucks operating empty, however, and the disappearance of borders will mean that the speed of operation will increase dramatically, he argues.

"That gives much more efficiency. We believe the transport volume in 2,000 can be taken care of by the same number of vehicles as today."

Mr Roger Phillips, managing director of Leyland DAF marketing and sales in the UK, says that European harmony has to mean more than the abolition of borders alone, and that many of the changes will not happen overnight. "Rather an evolution than a revolution."

The takeover of the Leyland truck operations in the UK by DAF of the Netherlands illustrates the many moves being made by European truck makers to broaden their dealer and service networks across the continent in order to be able to compete adequately in all major markets.

The three most important issues in moving towards the single market are technical and fiscal harmonisation accompanied by free movement of capital, says Mr Phillipe. The current differences between countries leads to higher development and purchase costs. Technical harmonisation should mean that legal requirements would be the same in all EC member states.

At the same time fiscal harmonisation and free movement of capital are needed, he says, in order "to achieve a standard European product, especially important for manufacturers and hauliers who operate internationally to give them equal opportunities...It is unavoidable that it will take considerable time to be implemented."

Mr Wilfried Lochte, chairman of the executive board of MAN's commercial vehicles division in West Germany maintains that the greater competitive demands that will result from the emerging "home market" in West Europe will hasten the trend towards co-operation between vehicle makers in western Europe, particularly in an expansion of the exchange of parts and components.

MAN itself has reached an agreement with Daimler-Benz, the world'e biggest truck maker and its dominant domestic rival, to continue a co-operation started in the early 1970s for the joint production of parts for certain commercial vehicle engines and axles with the objective of keeping costs down.

Mr Lochte maintains that the two-way snpply of parts between the companies will increase greatly but "withont detriment to the identity and diversity of the two product programmes."

Both companies had benefited from the exchange of parts and components "despite the cnt and thrust of day-to-day competition".

According to Mr Lochte, MAN has also practically completed its work on improving its European sales and service structure in preparation for the internal market with the emphasis en setting up and broadening its activities as an importer.

Mr Jurgen Schrempp, deputy director of Daimler-Benz'a truck division, said the company was reviewing its organisation in the light of a Europe without barriers between countries, including the extent to which it will be necessary to maintain separate sales and service operations for individual countries.

Given the Daimler-Benz view that the growth in European transport will be off-set by the greater efficiencies of the hauliers, the company expects the heavy truck market to stabilise at around 150,000 units a year in Europe. This will have serious consequences for the level of competition in the industry as the top seven makers - accounting for 92 per cent of the market - seek to gain volume. This would not come from growth but would have to be taken from competitors.

"Competition will heat up, our pricing will have to be even keener," be said in a recent interview in Truck magazine. "Which is a good thing, because we will not only compete with hardware - with the truck - but we will have to compete with systems, service and organisation. We are working very hard on new logistical systems, and we will be introducing some within the next six to 12 months, but there is much more to be done."

The present lack of harmonisation of technical requirements, which should be rectified by the planned 1992 reforms, was etill an added cost burden to the manufacturers, which was ultimately passed on to the customer, said Mr Schrempp. The need to meet varying homologation standards in different parts of Europe was a barrier to achieving greater rationalisation and efficiencies and delayed tbe introduction of new products in some markets.

Kevin Done

PROFILE: ERF

A strong recovery completed

THE STOCKY figure and blunt manner of Mr Peter Foden have led many to regard him as the typical, gritty, no-nonsense northern English businessman.

These days, however, the grittiness is punctuated freqnently by broad good humour - and not without reason.

In 1982, against the background of the world's worst post-war truck market slump, Mr Foden appeared to be founder and chairman of a company destined to be not long for this world. Debts were high, production slow and the work force at ERF's Sandbach, Cheshire, plant had been cut. But for particularly understanding bankers, ERF would not have survived.

The contrast with ERF now is stark.

In January, Mr Foden and the nearly 1,100-strong work force will take particular satisfaction in the opening of a second production facility, to increase production which is already running at the highest level in ERF's history.

"Not much more than two years ago we were only making seven or eight trucks a day. Now we're doing 20 a day. We've got a bloody good truck range and people can be confident of ERF being around in the future", says Mr Foden.

Tbe extra capacity is modest, and being installed at part of ERF's 15-acre engineering design and service site at Middlewich, near the main plant. It will lift ERF's capacity to 25 trucks a day, or about 5,000 units a year, when it becomes fully operational in the spring.

That compares with output of 16 a day in 1979, the last boom year before the 1980 recession when the UK beavy truck market reached a highest-ever 80,000 units a year.

The fact that this year's UK heavy truck market is expected to total around 60,000, 25 per cent below 1979, only serves to emphasise the strength of ERF's recovery.

Mr Foden suggests a "reasonable" sales target for ERF now is 15 per cent of the market for trucks above 16 tonnes gross vehicles weight in which the company primarily competes.

To achieve this would require an increase over ERF's current share of around three percentage points and a yet further increase in production to some 6,000 units a year.

The recovery has been financial as well. By 1986, ERF had reversed several years of losses, with a pre-tax profit for that year of £718,000.

Last year they shot up to £5.61m and while Mr Foden makes no detailed forecasts it is clear that the trend is still sharply upwards.

It has been achieved by means by rationalisation and direct cost-cutting measures. But important, too, was a decision taken about four years ago for ERF to stop being, as Mr Foden puts it, a "fruit salad" truck maker, fitting a variety of engines, transmissions, axles and other equipment to customer whim.

Instead, tbe truck range was standardised around Cummins engines, Eaton transmissions and Rockwell axles. Tbe outcome was trucks whicb were markedly cheaper to produce and more price competitive. ERF will still make special trucks - but at a price which fully reflects the extra cost of building it.

At the same time, bowever, ERF has made a deliberate choice to broaden its product range, and thus lessen its vulnerability to inevitable future downturns in the truck market.

To this end, in September it unveiled the first of a range of lighter, rigid trucks extending downwards into the 14 tonnes GVW sector.

With further new models promised, a broadened product range and resurgent profitability, Mr Foden suggests that ERF's position is about as secure as any relatively small truck market can be in what is now, and is likely to remain, a fiercely competitive industry.

Engineering, however, was not the only element to survive tbe recession intact - for, against the odds, ERF also retained its independence...

John Griffiths

PROFILE: Scania

Profits could be slimmed

WHILE 1988 promises to be another record-breaking year for Scania of Sweden, an expected end to the boom in the highly-competitive truck market could slim the division's normally fat profit within the next several years.

Scania, the world's fourth largest producer of heavy trucks, reported that trucks and buses rose by 14.9 per cent to Skr 9.6bn in the first eight months of 1988 compared with a year ago.

Its profits, which include earnings from the distribution of Audi and Volkswagen cars in Sweden, are expected to reach SKr 3.5bn this year, an increase of 11 per cent.

Its well-filled order book now amounts to SKr 14.45bn, including an order for 1,200 trucks and 298 buses from Iraq. Production is being increased at plants in the Netherlands and Brazil to meet demand and output is likely to exceed last year's figure of 20,873.

Scania's enviable financial position (it is one of the industry's most profitable concerns with a 15.4 per cent profit margin in 1987) reflects its emphasis on producing only heavy trucks at premium prices.

The successive upgrading of its range, which began in the early 1980s after a SKr 10bn investment programme, included the introduction earlier this year of the Program 3 series with a new gearbox, a higher preformance engine and a roomier and quiet cab.

Scania has also been helped by the strong demand in the stable Western European market, where 70 per cent of Scania vehicles are sold.

The healthy European market growth rate, which will reach an estimated 15 per cent in 1988, has enabled Scania to lift prices, which are rising by 7-8 per cent annually.

But there are storm clouds on the horizon. The European market is likely to become sluggish in the early 1990s, which will probably force Scania to trim its profit margins to stay competitive.

Scania also faces more competition in Sweden, which accounts for 7 per cent of sales. Its rival, Volvo, is offering upgraded trucks, while Daimler-Benz has moved aiming for 10 per cent of the market.

In response, Scania is increasing its attention on the Latin American and US markets. Brazil remains Scania's biggest national market with 3,300 vehicles sold in 1987 and it plans to double its output there to 8,000 vehicles, including those destined for Iraq.

The US offers a potential area of growth. But Scania is following a strategy of slow, long-term growth there.

The weak dollar makes a rapid expansion impracticable in Scania's estimation. But the conservative marketing strategy also reflects Scania's realistic assessment that it will take time to persuade US hauliers, who prefer equipping their vehicles with key components from different makers to accept its line of integrated trucks.

Jack Burton

PROFILE: Volvo

Aiming for the top spot

HAVING EMERGED as the world's second largest heavy truck maker in the 1980s, Volvo Truck Corporation appears ready to challenge Daimler-Benz for the number one position in the 1990s.

Volvo's current output, which will break the 50,000 mark in 1988, is about two-thirds of that for Daimler-Benz but Volvo plans to raise output to 60,000 trucks annually by the end of 1989.

The cash-rich Swedish company has signalled its readiness to take advantage of an expected slowdown in the market in the 1990s by acquiring one of several troubled European truck makers.

A buy-out would consolidate Volvo's strong position in Europe, which now accounts for 60 per cent of its sales.

Meanwhile, Volvo is continuing to expand activity into foreign markets by signing a preliminary agreement with Isuzu Motor, concerning distribution in Japan. Although Japan is mainly a medium-truck market, the heavy truck segment is growing, accounting for about 20 per cent of the 50,000 trucks sold there annually.

The Japanese deal is a rather unexpected benefit that Volvo has reaped from its move into the US. Isuzu Motors is 40 per cent owned by General Motors, whose heavy truck operations in the US were taken over by Volvo in 1986 in a joint venture that is 76 per cent controlled by the Swedes.

The integration of the two companies into the Volvo GM Heavy Truck Corporation, has proceeded more smoothly than expected with Volvo's associated costs having been written off by the end of last year.

The foundation for increased production has been laid by moving GM's truck facilities from Pontiac, Michigan to its plant at Orville, Ohio, and expanding Volvo's existing main facility a New River Valley, Virginia.

Plans call for increasing output capacity to 22,000 trucks next year, almost double Volvo's production capacity in the US in 1987. Volvo has set an ambitious target of increasing its market share from 9.5 per cent this year to 20 per cent by the mid-1990s, while taking 15 per cent of the Canadian market.

Strong demand has resulted in high capacity use at Volvo's other main plants in Sweden, Belgium, Scotland and Brazil. Volvo has responded by expanding production facilities in Belgium by 25 per cent to 17,000 vehicles and in Scotland, by 60 per cent to 4,500 vehicles.

Volvo is now reaping the fruits of its acquisition strategy during the 1980s. The first six months of 1988 were among the strongest in the division's history with sales climbing by 25 per cent to Skr 10.47bn, while its order books were 50 per cent higher than s year ago. Profits are expected to top Skr 2.1bn on sales of Skr 21bn in 1988 compared with profits of Skr 1.6bn on sales of Skr 17.9bn in 1987.

Jack Burton

DAF chairman is keen to strengthen company's European position

Dutch group may be on acquisition trail

SPECULATION has grown over the past few months that Dutch truck maker DAF might be on the acquisition trail again, with Enasa of Spain as a possible target, even though the UK's Leyland trucks and Freight Rover vans businesses have yet to be fully integrated after their merger with DAF 18 months ago.

Mr Aart van der Padt, DAF's chairman, concedes that DAF and Enasa have been holding talks and that "we could be open to do another merger", against the backgronnd of DAF's desire to strengthen furtber its position in Europe after the intended creation of a single EC internal market in 1992.

However, he stresses, the talks beld to date have merely been about possible further ways of extending collaboration which has already seen a truck cab developed jointly by Enasa and DAF.

Mr van der Padt likens the still-considerable amount of work *needed to integrate* Leyland and Freight Rover with DAF to building a house. There is no point in trying to add a second storey, he suggests, if the first is not yet properly built.

DAF appears to have no reason to be displeased with the construction work so far.

DAF BV was formed in April *last* year by merging DAF Trucks, Leyland Trucks and Freight Rover. Sixty per cent of DAF BV is held by DAF Beheer BV, which groups the founding Van Doorne family with some institutional interests. The other 40 per cent is held, through the recently purchased Rover Group, by British Aerospace. Leyland DAF was set up as the UK operating subsidiary.

DAF had already coped fairly well with emergence from the early-1980s truck market recession, a net loss of Fl 27m (£7.7m) in 1983 being converted to a net profit of Fl 10m in 1984 and rising to Fl 63m last year.

This year DAF has reported a sharply higher first half con*solidated net profit of Fl 57.6m* and Mr John Lawson, of Nomura Research Institute, sees a full-year result of Fl 123m rising yet again to Fl 160m next year.

This has coincidad with sharply increased production of medium and heavy trucks, from a totai of 25,200 for DAF and Leyland as separate entities in *1986* to *an expected* 35,000 units combined this year.

This level of production - which does not include tha 20,000 medium vans being built by Freight Rover - "is big enough for DAF to sustain growtb and investment", insists Mr van der Padt.

Apart from its Dutch and UK plants, DAF also prodnces trucks in Belgium and has assembly operations in about 20 other countries.

The rationalisation of DAF's and Leyland's truck models into a single, integrated range will not be completed until well into the 1990s.

Fears among Leyland's work force and UK component makers that expansion would take place *largely outside* the UK so far have proved entirely without foundation. Currently, DAF is bnying about £300m worth of components in the UK - one-third of the total - according to Mr van der Padt.

"As we see it, today's British components industry has good industrial relations, an attractive price structure and better quality, althongh thera are some weak spots in the subcontracting area."

Among the priorities now is for the company to strengthen its presence in some European markets like West Germany *and Scandinavia, and to look* at ways of redeveloping traditional markets outside of Europe in which Leyland in particular has been strong, such as Africa.

In Europe, meanwhile, DAF's search for further collaboration will go on.

Europe has to ba able to meet Japanese manufacturers on their own terms, he stresses, and "Europe is still too expensive a place in which to produce."

An engineer by training, Mr van der Padt joined DAF almost by accident. He was working with the Shell oil group in the late 1950s and had received an assignment in Indonesia. The country's political troubles of the time prevented him from going, and he had the choice of kicking his heels with Shell or, having recently met some of the Van Doorne family, joining DAF as an engineer at a time when it was moving towards car production.

He chose DAF, with which *he has worked* - with one brief exception in the 1960s - ever since.

Among his tasks for next year, almost certainly, is the flotation of DAF on the London and Amsterdam stock *exchanges. No date has been* set, but the flotation was provided for in agreements made at the time of Leyland's disposal by the UK government and DAF's strong financial performance has served to speed up preparations for the float.

John Griffiths

PROFILE: AWD

Big plans for the future

TO MANY people in the commercial vehicles industry, David J.B. Brown remains an enigma.

The dour, 63-year-old Yorkshireman appeared seemingly out of the blue - although one of his companies is, in fact, the world's largest maker of articulated dump trucks (sold as Caterpillars) - to buy the UK's ailing Bedford Truck and Bus business from General Motors for just over £20m in November, 1987.

He explained that AWD, the company formed out of Bedford's truck business (it stands for all-wheel-drive) would resurrect a dealer network and re-enter the civilian truck market Bedford had abandoned in 1986. By 1990 it would virtually double, to 8,000 units a year, Bedford's then-surviving truck production.

AWD would also become quickly profitable into the bargain. As things have turned out, Mr Brown was being modest.

An updated and cosmetically improved range of 6.5 to 17 tonne civilian trucks, based on the Bedford TL range, was launched in front of 1,000 truck operators and the resurrected, 47-strong UK dealer network in September.

Output this year will reach 6,500 units and is likely to be in excess of the 8,000 target next year and AWD will make a profit of at least £1m on its projected turnover of £130m, according to Mr Brown.

Over £8m has already been invested in product development and facilities at the 87-acre Dunstable plant. But Mr Brown makes clear his view that this is only the start for AWD and that, in the medium to long term, he expects AWD actually to need the 20,000-plus trucks-a-year capacity of the Dunstable plant.

He went on to say that AWD is to start producing heavy tractor units of 38-44 tonnes, for the European commercial vehicle market next year, and that a 'continental dealer network' is about to be set up.

His trucks, he suggests, will have a technological advantage over their rivals: "Ten years from now the volume manufacturers will have trucks like ours of next year".

He does not elaborate in great detail about the technological advantages but he indicates that electronically-controlled 'active' steering and suspension are likely candidates.

AWD is very much a horizontally-integrated company, whose strength is seen as putting together a high percentage of proprietary parts in imaginative ways. More vertically integrated companies, Mr Brown suggests, "are stuck with their own technologies - it would be miraculous if one of them simultaneously had the best engine, transmission, chassis, or cab".

Conscious yet again that his forecasts will readily be held against him, he predicts that AWD will give truck operators "features over the next few years they never dreamed of having".

By the mid-1990s, says this self-confessed "benevolent dictator", AWD "should be in continuous profit, selling trucks worldwide and employing 1,500-2,000 people".

John Griffiths

JAPAN

Home market attracts

LIKE THEIR car making bretheren, Japan's truck makers have turned to their domestic market to offset a buffetting they are taking abroad as their international competitiveness is dulled.

For the truck makers' current financial year (to the end of March, 1989) sales of trucks (above 3.5 tonnes) in Japan are expected to top 160,000 units for tbe first time since they sold 165,000 vehicles in fiscal 1989.

Sales in July, at 13,347 units, were 29 per cent higher than the same month of 1987. It was the 23rd consecutive monthly year-on-year gain.

That indicated that last year's double-digit growth is being maintained. In the year to tast March, truck sales topped 143,500 vehicles.

In June, both Hino Motors, the industry leader, and Nissan Diesel, the number four, raised their sales forecast for the market as a whole for fiscal 1988 by around 5,000 vehicles.

The rise in sales has come on the back of the sustained strength of the Japanese economy, especially on the country's buoyant domestic demand. Government policy is now to switch Japan's economic growth away from being export-led.

While the economy is forecast to grow by 5 per cent as a whole this year, domestic demand is running at 7½ per cent growth.

Truck sales have been strong across the board bnt the domestic truck industry is geared to upturns in the construction industry.

In 1986 and 1987, new housing starts were booming. These are now tailing off, but companies investment in new plant an equipment is sustaining the demand for vehicles from the construction industry.

Prospects for vehicle makers for next year will depend on the continuing strength of the Japanese economy.

This is forecast to slow to 4 per cent growth, bnt Japan may be pressed into sustaining this year's growth rate if the new US president becomes serious about tackling his country's twin deficits. However, the truck makers have to prepare to meet new exhaust emission standards for trucks next year.

Competition is fierce, with the three leading truck makers, Hino, Isuzu Motors and Mitsubishi Motors, each with around a 27½ per cent market share. Fourth-ranking Nissan Diesel has an 18 per cent market share.

The sales boom has restored profitability, but the truck makers have been slower than the car makers to cut costs. In an unusual industry-wide attempt to cut costs, the four leading makers have agreed to standardise some components. A joint committee is studying the details of the standardisation programme, to apply initially to components bought from common third-party components makers.

James Andrews

PROFILE: Hino

Looking overseas

JAPAN'S leading truck maker Hino Motors has been part of the Toyota group for more than 20 years, with Japan's *leading* car maker *holding* a 10.5 per cent equity stake.

Bnt Hino's management remains largely independent in its core truck and bus businesses, in which it has a reputation for technical innovation.

The company's range includes 50 models of truck ranging from its 15-tonne Super Dolphin truck-trailers to lightweight two-tonne in the Ranger Two series.

Its been using the recovery in its domestic market as a breathing space to lower costs through streamlining to position itself more competitively to expand overseas.

Thanks to Japan's booming construction industry, Hino's domestic truck and bus sales, which account for 53 per cent of its total sales, are expected to grow by 4 per cent in its current financial year (to end-March, 1989).

That would give sales of 50,400 vehicles, and a 28 per cent market share. That is only a whisker more than its two closest rivals, Isuzu Motors and Mitsubishi Motors, who are narrowing an already small gap. So apart from new models, such as medium-duty trucks equiped with air suspension and 7½-8½ ton vehicles with turbo engines, Hino is revamping its sales and service network in the Tokyo area.

Like all Japanese vehicle makers, Hino's international competitiveness has been hurt by the high yen. Exports have fallen as a share of its total sales from a peak of 32 per cent in 1982 to around 15 per cent now. So the company is switching the emphasis of its exports from complete vehicles to knock-down kits, and increasing its assembly and parts production overseas.

Though the industrialising economies of south and south-east Asia are likely to remain big markets for Hino, the yan's appreciation has blunted Hino's competitiveness. To counter this, it has set up joint ventures in Taiwan, Thailand, India and Pakistan.

*This year, it started to supply com*ponents for its Malaysian plant from its Indonesian subsidiary because doing so was cheaper than shipping from Japan. Hino's international attention is now concentrated on China and the US. Last year, it completed a 16,000 diesel-truck order for China. It will supply bus engines and chassis for assembly in Peking and, separately, is negotiating to supply truck-engines for Chinese trucks for export to south-east Asia using Hino's sales network. Hino was the first Japanese truck maker to enter the American market, in 1984. It wants to sell 5,000-6,000 vehicles a year there by the early 1990s. However, like all Japanese truck makers it is finding the going tough because the yen's strength against the dollar has forced it to raise prices.

It is aiming to double its north American sales network to 170 dealers and it will be the first Japanese truck maker to export large trucks there. Local production of trucks seems an inevitability.

The recovery in its sales and Hino's cost cutting has restored its profit. Hino gets a disproportionate benefit for its bottom line because it sales are concentrated in high-margin heavy-duty trucks and buses.

After falling 27 per cent to Y3.2bn in the year to March 1987, on sales of Y394.8bn Hino's net profit recovered by 25 per cent the following year. For the year to next March, it is forecast to rise a further 33 per cent to Y5.4bn on sales of Y460bn. That is helping it afford a Y20bn investment in exhaust systems in order to cope with new exhaust regulations due to be introduced in Japan by 1990.

James Andrews